

1                   BEFORE THE PUBLIC SERVICE COMMISSION  
2                   STATE OF MISSOURI  
3                   \_\_\_\_\_  
4                   TRANSCRIPT OF PROCEEDINGS  
5                   HEARING  
6                   April 8, 2004  
7                   Jefferson City, Missouri  
8                   Volume 17  
9                   \_\_\_\_\_  
10                  In the Matter of the Application of        )  
11                  Union Electric Company, Doing Business )  
12                  as AmerenUE, for an Order Authorizing    )  
13                  the Sale, Transfer and Assignment of     ) Case No.  
14                  Certain Assets, Real Estate, Leased     ) EO-2004-0108  
15                  Property, Easements and Contractual     )  
16                  Agreements to Central Illinois Public    )  
17                  Service Company, Doing Business as     )  
18                  AmerenCIPS, and, in Connection           )  
19                  Therewith, Certain Other Related        )  
20                  Transactions.                                )  
21  
22                  \_\_\_\_\_  
23                  BEFORE:  
24                          KEVIN A. THOMPSON, Presiding  
25                          DEPUTY CHIEF REGULATORY LAW JUDGE.  
                        STEVE GAW, Chair  
                        ROBERT CLAYTON,  
                        COMMISSIONERS.  
                        \_\_\_\_\_  
  
22                  REPORTED BY:  
23                  TRACY L. THORPE, CSR, CCR  
24                  MIDWEST LITIGATION SERVICES  
25

## 1 A P P E A R A N C E S

2 JAMES M. FISCHER, Attorney at Law  
Fischer & Dority  
3 101 Madison Street, Suite 400  
Jefferson City, Missouri 65101  
4 573-636-6758  
FOR: Kansas City Power & Light  
5  
6 DIANA VUYLSTEKE, Attorney at Law  
Bryan Cave, LLP  
211 N. Broadway, Suite 3600  
7 St. Louis, Missouri 63102  
314-259-2543  
8 FOR: MIEC-Missouri Industrial Energy Consumers  
9  
10 ROBERT C. JOHNSON, Attorney at Law  
911 Washington Avenue  
St. Louis, Missouri 63101  
314-641-5126  
11 FOR: Missouri Energy Group  
12  
13 THOMAS M. BYRNE, Attorney at Law  
DAVID B. HENNEN, Attorney at Law  
JOSEPH H. RAYBUCK Attorney at Law  
EDWARD C. FITZHENRY, Attorney at Law  
14 1901 Chouteau Avenue  
St. Louis, Missouri 63101  
15 314-554-2976  
FOR: Union Electric Company d/b/a AmerenUE  
16  
17 JAMES. B. LOWERY, Attorney at Law  
Smith, Lewis  
111 S. Ninth Street, Suite 200  
18 Columbia, Missouri 65205  
573-443-3141  
19 FOR: AmerenUE  
20  
21 JOHN B. COFFMAN, Acting Public Counsel  
DOUGLAS E. MICHEEL, Senior Public Counsel  
P.O. Box 2230  
Jefferson City, Missouri 65102  
22 573-751-5559  
FOR: Office of Public Counsel and the Public  
23  
24  
25

## 1 A P P E A R A N C E S (CONT'D)

2 STEVEN DOTTHEIM, Chief Deputy General Counsel  
DENNIS L. FREY, Senior Counsel  
3 LERA L. SHEMWELL, Senior Counsel  
P.O. Box 360  
4 Jefferson City, Missouri 65102  
573-751-6651  
5 FOR: Staff of the Missouri Public Service Commission

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 JUDGE THOMPSON: I'll remind you, Mr. Voytas,  
2 you're still under oath. Go ahead and take your seat.

3 MR. FITZHENRY: Your Honor, one moment,  
4 please. There is a need to clarify a portion of  
5 Mr. Voytas's Surrebuttal Testimony that relates to the least  
6 cost planning issue that's up for today. May I proceed?

7 JUDGE THOMPSON: Go right ahead.

8 RICHARD VOYTAS testified as follows:

9 DIRECT EXAMINATION BY MR. FITZHENRY:

10 Q. Mr. Voytas, are there any further corrections  
11 to your Surrebuttal Testimony that need to be made?

12 A. Yes. I'd like to correct two lines on page 15  
13 of my Surrebuttal. The first correction is on line 2.  
14 There are the words "approximately \$2 million." I would  
15 like to change 2 million to \$2,400,000.

16 The second correction is the one sentence that  
17 follows that number, \$2.4 million. I'd like to delete that  
18 sentence and add the following. The \$272,554 per year  
19 allocation to the Metro East's revenue requirement was  
20 included in the revenue requirement analysis. And that's  
21 all.

22 JUDGE THOMPSON: Okay. Let's have it again  
23 very slowly word by word.

24 THE WITNESS: Okay. The new sentence is, The  
25 \$272,554 per year allocation to the Metro East's revenue

1 requirement was included in the revenue requirement  
2 analysis.

3 MR. FITZHENRY: Thank you.

4 JUDGE THOMPSON: All right. Let me read back  
5 what I have here and if I don't have it right, correct me.  
6 The \$272,554 per year allocation to the Metro East's revenue  
7 requirement was included in the revenue requirement  
8 analysis.

9 THE WITNESS: That's correct.

10 JUDGE THOMPSON: Thank you.

11 You're done with him?

12 MR. FITZHENRY: Yes, I am.

13 JUDGE THOMPSON: Okay. Mr. Dottheim?

14 MR. DOTTHEIM: Judge, first as a housekeeping  
15 matter, I have copies of what has been reserved as Exhibit  
16 68, the Staff's list of conditions that was filed on Tuesday  
17 of this week, April 6th. May I --

18 JUDGE THOMPSON: You may.

19 MR. DOTTHEIM: -- provide copies to the Bench  
20 and to the court reporter?

21 JUDGE THOMPSON: Absolutely. Thank you,  
22 Mr. Dottheim.

23 (Exhibit No. 68 was marked for  
24 identification.)

25 CROSS-EXAMINATION BY MR. DOTTHEIM:

1 Q. Good morning, Mr. Voytas.

2 A. Good morning.

3 MR. DOTTHEIM: Oh, and pardon me. Before I  
4 forget, I'd like to offer Exhibit 68 at this time.

5 JUDGE THOMPSON: Any objections?

6 Very well. Exhibit 68 is received.

7 (Exhibit No. 68 was received into evidence.)

8 BY MR. DOTTHEIM:

9 Q. Mr. Voytas, when did you first start the least  
10 cost analysis that you present in your Direct Testimony?

11 A. This has been a continuing exercise. I guess  
12 this methodology, this method, this format, this method of  
13 modeling was began in January of 2002.

14 Q. And when did you complete the least cost  
15 analysis that is contained in your Direct Testimony in this  
16 proceeding?

17 A. I don't know the exact date. Obviously it was  
18 prior to August of 2003. The analysis was ongoing and it  
19 was completed by -- by the end of July, early August of  
20 2003.

21 Q. Did you discuss with any member of the Staff  
22 before you completed the analysis the form of the analysis  
23 that's presented in your Direct Testimony?

24 A. The discussions with Staff were in January and  
25 February of 2002 regarding this methodology. Regarding the

1 updates, the new test year, those numbers -- those were not  
2 discussed with Staff.

3 Q. Do you know whether Ameren Corporation's Board  
4 of Directors decision in June of 2003 to authorize the  
5 pursuance of the Metro East transfer was made independent of  
6 your study that is filed in your Direct Testimony?

7 A. I don't know.

8 Q. Mr. Voytas, did you perform any sensitivity  
9 analysis on least cost study that is contained in your  
10 Direct Testimony in this proceeding?

11 A. No.

12 Q. Could you identify why you did not perform any  
13 sensitivity analysis?

14 A. Sure. It was due to the speculative nature of  
15 the sensitivities and the wide, wide, wide range of options.  
16 And I can go through some of those examples. In regards to  
17 the sensitivities, we can look at -- and I know we've talked  
18 extensively about --

19 Q. Mr. Voytas, I think you've answered my  
20 question.

21 And this question may call upon you to provide  
22 the answer you were just giving, but can you identify the  
23 key assumptions in your analysis?

24 A. The key assumption in our analysis is that the  
25 differential and net costs between the Metro East transfer

1 and the adding of the CTG case remain relatively constant  
2 over time.

3 Q. Mr. Voytas, would you agree that your least  
4 cost analysis is a key component that the Commission must  
5 rely upon in order to find that the proposed Metro East  
6 transfer is not detrimental to the public?

7 A. Mr. Dottheim, I believe that may call for a  
8 legal opinion and I've had lawyers on both sides argue  
9 different things, so I don't know.

10 Q. Thank you.

11 I'd like to direct you to your Direct  
12 Testimony. Do you have a copy with you?

13 A. Yes, sir.

14 Q. And, in particular, I'd like to direct you to  
15 Schedule 2.

16 A. I'm at Schedule 2.

17 Q. Could you identify by line which of the costs  
18 shown in Schedule 2 represent the variable production costs  
19 to serve the AmerenUE Illinois load?

20 A. The variable production costs?

21 Q. Yes.

22 A. The variable production costs are included in  
23 the fuel and purchased power for load calculation.

24 Q. And when you said "fuel and purchased power  
25 for load," that is a line item in Schedule 2?



1 A. Yes.

2 Q. In your analysis did you subtract out the  
3 variable production costs because they will not be incurred  
4 by AmerenUE -- AmerenUE's remaining customers subsequent to  
5 the Metro East transfer?

6 A. My analysis is shown in Schedule 2. And what  
7 we did is the revenue requirements -- the revenue that is  
8 currently received from the UE Illinois customers is no  
9 longer going to be received, that's a negative. The  
10 production cost savings, because we no longer have to  
11 produce power to serve that load, that's a positive.

12 And then the third item is the variable  
13 production cost savings attributable to having more low-cost  
14 generation available to be able to serve AmerenUE Missouri  
15 ratepayers.

16 Q. So is the answer to my question yes or no?

17 A. Can you repeat the question, please?

18 Q. Yes. In your analysis did you subtract out  
19 the variable production costs because they will not be  
20 incurred by AmerenUE's remaining customers subsequent to the  
21 Metro East transfer?

22 A. I don't believe that question accurately  
23 states what I've done, so if I answer --

24 JUDGE THOMPSON: Mr. Voytas, you need to let  
25 your lawyer do the objections and you need to answer the

1 questions if you are able.

2 THE WITNESS: No.

3 BY MR. DOTTHEIM:

4 Q. Mr. Voytas, is it true that the per unit  
5 variable production costs to serve AmerenUE's remaining  
6 customers will decrease subsequent to the Metro East  
7 transfer if it is authorized to occur?

8 A. That's true.

9 Q. Does your Schedule 5 show this additional  
10 savings to be \$25 million?

11 A. Yes, it does.

12 Q. Is it correct that this additional savings of  
13 \$25 million per year was estimated from a single test year,  
14 the 12 months ending December 31, 2002?

15 A. No, that's not true.

16 Q. How was that calculation derived?

17 A. This calculation was derived for a single test  
18 year of 2004.

19 Q. Are you confident that your 2004, if I  
20 understand you, calendar year results are indicative of what  
21 is expected to occur at AmerenUE beyond this point in time?

22 A. I am confident that the production cost  
23 savings identified in Schedule 5 are conservative.

24 Q. And why are you confident that the production  
25 cost savings that you've identified are conservative?

1           A.       There are multiple reasons. The first reason  
2       is due to load growth. As AmerenUE load -- Missouri load  
3       continues to grow, it will be able to be served by these  
4       low-cost generation assets rather than higher-cost gas-fired  
5       generation assets. That would be probably the -- the far  
6       most item in there.

7                   In addition, as certain power contracts  
8       expire -- we've talked a little bit about the Electric  
9       Energy Incorporated contract, there are others. We have  
10      contracts -- multiple, multiple contracts. As those  
11      contracts expire, the production cost differential is going  
12      to change.

13                  And the third and another very important  
14      aspect where it's going to change is those production costs  
15      assume a certain relationship between the price of coal and  
16      the price of gas. And they assume a certain type of  
17      escalation rate between those two fuels.

18                  As new environmental rules, regulations become  
19      promulgated and eventually become law, there could be a  
20      significant impact on the price of gas which will make that  
21      escalate at a much higher rate which will further increase  
22      the production cost savings attributable to this analysis.

23           Q.       Mr. Voytas, is the alternative that you  
24      analyzed to the Metro East transfer the construction of  
25      597 megawatts of combustion turbine generation?

1           A.       That's correct.

2                   MR. DOTTHEIM: I have a question for  
3       Mr. Voytas at this point regarding the company's reserve  
4       margin, which I think in other places has been identified by  
5       the company as highly confidential, so --

6                   MR. FITZHENRY: That it is.

7                   JUDGE THOMPSON: Very well. We'll go into  
8       closed session at this time. Be sure to let me know when we  
9       can go back out into regular.

10                   (REPORTER'S NOTE: At this time, an in-camera  
11       session was held, which is contained in Volume No. 18, pages  
12       1610 through 1612 of the transcript.)

13

14

15

16

17

18

19

20

21

22

23

24

25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1 JUDGE THOMPSON: We'll go back into public  
2 session at this time. Very well. Please proceed.

3 RICHARD VOYTAS testified as follows:

4 CROSS-EXAMINATION BY MR. DOTTHEIM:

5 Q. Mr. Voytas, for purposes of the comparison of  
6 the two alternatives that you used in your least cost study,  
7 would you agree that for the CTG non-Metro East transfer  
8 alternative, variable production costs will be the same as  
9 shown on Schedule 2 to your Direct Testimony including the  
10 costs for Illinois customers?

11 A. Please repeat the question.

12 Q. Yes. For purposes of the comparison that you  
13 performed of the two alternatives in your least cost  
14 analysis, would you agree that for the CTG non-Metro East  
15 transfer alternative, variable production costs will be the  
16 same as shown on Schedule 2 to your Direct Testimony  
17 including the costs for Illinois customers?

18 A. I think so.

19 Q. Referring again to your Schedule 2, on  
20 Schedule 2 is profits for interchange sales obtained by  
21 subtracting fuel and purchased power for load -- excuse me.

22 On your Schedule 2 is profits for interchange  
23 sales obtained by subtracting fuel and purchased power for  
24 interchange from interchange sales?

25 A. That's true.



1           Q.     Mr. Voytas, is it your testimony that profits  
2     for interchange sales will increase under the CTG non-Metro  
3     East transfer alternative?

4           A.     It is my testimony that the market price for  
5     interchange sales is expected to increase, which will  
6     increase the profit margin on interchange sales.

7           Q.     Let me ask the question again.

8           A.     Okay.

9           Q.     Is it your testimony that profits from  
10    interchange sales will increase under the CTG non-Metro East  
11    transfer alternative?

12          A.     Okay. Make sure I understand. We're talking  
13    the CTG case only?

14          Q.     Yes.

15          A.     And the profits will increase? Yes, that is  
16    my testimony.

17          Q.     Do you show that increase in profits from  
18    interchange sales anywhere in your Direct Testimony?

19          A.     I don't believe so.

20          Q.     Was that calculation performed for the test  
21    year the 12 months ending December 31, 2002?

22          A.     For the CTGs?

23          Q.     Yes.

24          A.     No. That was a mark-to-market analysis done  
25    for every year for which we had forward electric prices.

1           Q.       Would you agree that your calculation of the  
2       increase in profits from interchange sales for the CTG  
3       alternative -- and I think you've just answered this -- were  
4       not for the 2002 test year?

5           A.       That's correct.

6           Q.       Okay. Would you still agree, however, that  
7       the variable production costs for the CTG alternative are  
8       assumed to be the same for the 2002 test year?

9           A.       For all years of the analysis?

10          Q.       Yes.

11          A.       Again, no, I do not. The major assumption --  
12       may I explain -- just no is fine. Okay. I'm sorry.

13          Q.       And, again, did you use 2004 or 2002 as the  
14       test year for the increase in interchange sales?

15          A.       Are we talking the CTG case?

16          Q.       Yes.

17          A.       On the CTG case we looked at a year-by-year  
18       analysis for those years that we had a forward electric  
19       price available. After which time we did not, we held it  
20       constant for the duration of the analysis.

21          Q.       Mr. Voytas, since the variable production  
22       costs are the same for the test year and AmerenUE did not  
23       have the addition of the 597 megawatts of combustion turbine  
24       capacity operating in that test year, would you agree that  
25       the variable production costs for the CTG alternative did

1 not include any generation from the addition of the  
2 597 megawatts of combustion turbine capacity?

3 A. I would agree that the CTG analysis was  
4 exclusive of the Metro East transfer.

5 Q. Would the AmerenUE CTGs run to serve native  
6 load if more economical sources of power were available?

7 A. No, they would not.

8 Q. Would AmerenUE likely experience fuel savings  
9 if the CTGs were run to serve native load?

10 A. I don't know.

11 Q. I'd like to refer you to page 8 of your  
12 Surrebuttal Testimony, lines 17 to 21.

13 MR. MICHEEL: I'm sorry, counsel. I missed  
14 the page reference.

15 MR. DOTTHEIM: Page 8 of Mr. Voytas's  
16 Surrebuttal Testimony, lines 17 to 21.

17 MR. MICHEEL: Thank you.

18 THE WITNESS: Yes, I'm there.

19 BY MR. DOTTHEIM:

20 Q. At page 8 of your Surrebuttal Testimony, lines  
21 17 to 21 you state, do you not, it is your experience that  
22 AmerenUE's combustion turbines are used to serve native  
23 load?

24 A. That's correct.

25 Q. If this is the case, why did you include a

1 comparative analysis of production costs between two  
2 alternatives that excluded any generation from the addition  
3 of the 597 megawatts of combustion turbine generation?

4 A. I don't understand your question.

5 Q. In the analysis that you performed of the two  
6 alternatives --

7 A. Correct.

8 Q. -- in both of those alternatives did you  
9 exclude generation from the addition of the 597 megawatts of  
10 combustion turbine generation?

11 A. Did I exclude? We used the entire 597  
12 megawatts of generation in our analysis. And, again, the  
13 assumption was that 50 percent was used to serve native load  
14 and approximately 50 percent was sold to market.

15 MR. DOTTHEIM: One moment, please.

16 BY MR. DOTTHEIM:

17 Q. Did you exclude generation from the addition  
18 of the 597 megawatts of CTGs from the calculation of  
19 production costs in the two alternatives?

20 A. Not necessarily. In the Metro East analysis,  
21 combustion turbines were added to meet our reserve margin  
22 requirements and they ran, you know, as economic dispatch  
23 dictated.

24 MR. DOTTHEIM: One moment, please.

25 JUDGE THOMPSON: Okay.

1 BY MR. DOTTHEIM:

2 Q. Again, Mr. Voytas, was the generation from the  
3 addition of the 597 megawatts of CTGs excluded from the  
4 calculation of production costs in your least cost analysis?

5 A. In -- in the production costs? In the 2002  
6 test year?

7 Q. Yes.

8 A. Yes.

9 Q. If the production cost for the CTG alternative  
10 does not include production costs from the 597 megawatts of  
11 added CTG capacity, for purposes of consistency in  
12 performing a comparative single test year analysis,  
13 shouldn't the 597 megawatts of CTG capacity be excluded from  
14 serving AmerenUE's load?

15 A. For purposes of consistency, I would not argue  
16 against that. I would say that would be a very minor  
17 impact, but I would not argue against that.

18 Q. Is it true that your analysis of the CTG  
19 transfer alternative, rather than being solely a single test  
20 year analysis, combines single test year analysis with a  
21 multi-year analysis of profits from interchange sales?

22 A. No. I think what is true is that our  
23 multi-year analysis gives the benefit of an increasing  
24 electric market price to the margin of those interchange  
25 sales resulting from the CTGs which further enhances the CTG

1 case. Absent that, using a test year analysis of 2002 where  
2 the market prices were exceptionally low I think will  
3 detract from the value of the CTG.

4 Q. You performed, did you not, a multi-year type  
5 of analysis for your market-to-mark analysis of interchange  
6 sales for the 597 megawatts of CTGs alternative?

7 A. For those years where we had data we did, then  
8 we held it constant.

9 Q. Okay. Your multi-year analysis is based on  
10 the JDA as it exists today, is it not?

11 A. Yes, it is.

12 Q. For the current JDA, the allocation of profits  
13 depends on load rather than generation?

14 A. That's correct.

15 Q. Is it correct that the level of profits  
16 depends on the joint amount of generation available from  
17 both AmerenUE and GENCO's generation resources?

18 A. That's true.

19 Q. Would it, therefore, be appropriate in a  
20 multi-year analysis of additional interchange sales profits  
21 to compare the generation resources available to AmerenUE  
22 and AEG in both the CTG alternative and the Metro East  
23 transfer alternative?

24 A. Please repeat the question.

25 Q. Would it be appropriate in a multi-year

1 analysis of additional interchange sales profits to compare  
2 the generation resources available to AmerenUE and AEG in  
3 both the CTG non-Metro -- the CTG alternative and the Metro  
4 East transfer alternative?

5 A. Would it be appropriate in a multi-year  
6 analysis?

7 Q. Yes.

8 A. In a multi-year analysis that would be one  
9 consideration of many.

10 Q. Would it be appropriate?

11 A. It would be appropriate.

12 Q. Mr. Voytas, you only performed a  
13 mark-to-market analysis for the CTG alternative and for the  
14 597 megawatts of additional CTG capacity under that option,  
15 did you not?

16 A. That's correct.

17 Q. If there is no transfer -- no Metro East  
18 transfer, AmerenUE will add 597 megawatts of new capacity;  
19 is that correct?

20 A. Again, what are your assumptions in regards to  
21 the other transactions that are pending?

22 Q. What were your assumptions in the analysis  
23 that -- the least cost analysis that you performed under  
24 those circumstances?

25 A. I didn't address that question so I -- I don't

1 have those analyses. Again, we looked at a 2002 test year.

2 Q. Okay. Won't the GENCO have to add more new  
3 capacity under the Metro East transfer alternative than it  
4 would under the CTG alternative?

5 A. Oh, absolutely no.

6 Q. Will the GENCO have to add less new capacity  
7 under the Metro East transfer alternative than it would  
8 under the CTG alternative?

9 A. Mr. Dottheim, the GENCO is a different animal  
10 than Ameren Union Electric. They do not have the obligation  
11 to serve. They have agreements that they may not renew,  
12 elect. They have many more options than AmerenUE, so I  
13 can't answer that. That's -- I'm not being evasive. That's  
14 the reality of the difference between two types of  
15 generation companies.

16 Q. Mr. Voytas, would you agree that the expected  
17 change in profits from interchange sales in the CTG  
18 alternative did not include differences in generation  
19 resources available to the GENCO?

20 A. I would agree.

21 Q. Did the fixed O&M costs in the Metro East  
22 transfer alternative include a factor for cost escalation?

23 A. No, they did not.

24 Q. Is it your testimony that AmerenUE's fixed O&M  
25 costs will not increase over the 25-year period of your



1 least cost analysis?

2 A. That is not my testimony. My testimony is  
3 that the net difference -- the difference in net costs  
4 between the alternatives remains relatively constant. There  
5 are a variety of factors changing positive and negative and  
6 I did not address that specific issue in my testimony. So  
7 I -- it is not my testimony.

8 Q. To the extent that AmerenUE's fixed O&M costs  
9 do increase during the 25-year period of your least cost  
10 analysis, would the Metro East transfer alternative result  
11 in AmerenUE's Missouri customers paying the approximately  
12 6 percent of those cost increases that would have been born  
13 by the AmerenUE's Illinois customers?

14 A. So we're talking one line item, ignoring the  
15 rest. The variable production cost savings, we're going to  
16 ignore that and just talk the one line item?

17 Q. Yes. The fixed O&M.

18 A. Yes. To the extent that one line item changes  
19 and there's no off-setting changes to others, that could be  
20 assumed.

21 Q. Did your least cost analysis consider this  
22 possibility?

23 A. No, it did not.

24 Q. You included an inflation factor in the CTG  
25 alternative, did you not?

1 A. I don't think so.

2 Q. Okay. Did the fixed O&M cost for the  
3 combustion turbine generator in the CTG alternative include  
4 a 2 percent escalation rate?

5 A. May I refer back to my schedule?

6 Q. Yes.

7 A. Mr. Dottheim, I don't remember. We've got  
8 a -- an annual fixed charge rate that we're applying to the  
9 capital and fixed O&M components of the CTGs and I don't  
10 have that level of detail. If that's what we provided to  
11 Staff in work papers, I would agree with you, but I don't  
12 remember.

13 Q. Mr. Voytas, do you have your work papers with  
14 you?

15 A. No, I do not.

16 Q. In your least cost analysis did you include a  
17 2 percent escalation rate in the Metro East transfer  
18 alternative?

19 A. No, I did not.

20 Q. Why did you not do so?

21 A. Because we did a test year analysis looking at  
22 the test year of 2002. And, again, our primary assumption  
23 was that the differential and net costs between the two  
24 alternatives remains constant for the duration of the  
25 analysis.

1           Q.       Mr. Voytas, is it your testimony that AmerenUE  
2       will not incur any additional costs or capital expenditures  
3       for environmental regulations over the 25-year period of  
4       your least cost analysis?

5           A.       That is not my testimony.

6           Q.       To the extent that AmerenUE will incur  
7       additional costs for capital expenditures for environmental  
8       regulations during the 25-year period of your least cost  
9       analysis, absent the transfer, would the AmerenUE Illinois  
10      operations customers pay approximately 6 percent of those  
11      costs?

12          A.       Yes, they would.

13          Q.       Assuming the Metro East transfer is  
14      authorized, to the extent that AmerenUE will incur  
15      additional costs or capital expenditures for environmental  
16      regulations during the 25-year period of your least cost  
17      analysis, would the Metro East transfer result in AmerenUE's  
18      Missouri customers paying approximately 6 percent of those  
19      costs that otherwise would have been born by AmerenUE's  
20      Illinois customers?

21          A.       The answer to that question is half yes, half  
22      no.

23          Q.       Is that reflected in any manner in your least  
24      cost analysis?

25          A.       That is reflected in the type of analysis that

1 we did where we held the difference in net cost between the  
2 two options constant over time. And, again, let me go into  
3 this. There is -- there is two issues here. One is cost,  
4 and that's the question that you directly asked me. But the  
5 second is revenues and that's a question you did not ask me.  
6 When those costs --

7 Q. Thank you, Mr. Voytas. You've answered my  
8 question.

9 MR. FITZHENRY: Your Honor, I object. I think  
10 the question did call for a narrative response from the  
11 witness.

12 JUDGE THOMPSON: Read back the question,  
13 Tracy, please.

14 THE COURT REPORTER: "Question: Is that  
15 reflected in any manner in your least cost analysis?"

16 JUDGE THOMPSON: I don't think that calls for  
17 a narrative response. Please proceed.

18 BY MR. DOTTHEIM:

19 Q. Mr. Voytas, would you agree that your least  
20 cost analysis includes a mix of single test year and  
21 multi-year analysis?

22 A. Yes.

23 Q. Would you agree that the multi-year analysis  
24 was only performed for the CTG alternative?

25 A. Yes. It was performed only for the CTGs and

1       only to the benefit of the CTGs.

2               Q.       No multi-year analysis was performed for the  
3       Metro East transfer alternative, was it?

4               A.       That's correct.

5               Q.       Mr. Voytas, would you agree that it is  
6       difficult to determine whether or not the assumptions made  
7       for each type of analysis, that is, single test year versus  
8       multiple year, are consistent?

9               A.       What do you mean by "difficult"? Difficult in  
10       that that can't be determined by a series of questions and  
11       answers or difficult that the answer can never be determined  
12       for sure?

13              Q.       Difficult that it cannot be answered for sure.

14              A.       Would I agree? No, I don't agree.

15              Q.       Difficult because of the questions without  
16       certainty, your other alternative?

17              A.       I don't know.

18              Q.       Mr. Voytas, I'd like to refer you to your  
19       Surrebuttal Testimony, page 11, lines 21 and 22.

20              A.       Yes, I'm there.

21              Q.       You stated there, did you not, that, In this  
22       case, there are simply too many factors that affect the  
23       budget and load growth; is that correct?

24              A.       That's correct.

25              Q.       AmerenUE provides to the Staff twice a year a

1 multi-year analysis of peak load forecasts and capacity  
2 balance for AmerenUE, does it not?

3 A. Yes, it does.

4 Q. What is capacity balance? Could you provide a  
5 definition?

6 A. I'm -- I use a term called capacity position  
7 on a routine basis. Capacity balance? What is -- I assume  
8 the two are interchangeable? That -- it's the difference  
9 between your -- your generation and your load including your  
10 reserve margin. I -- the term "capacity balance" is not a  
11 term of art that I use in my day-to-day work.

12 Q. Is there another term "capacity balance  
13 sheet"?

14 A. There could be. I don't remember what all the  
15 headings on the sheets are.

16 Q. And the term that you're familiar with is?

17 A. Capacity position.

18 Q. Okay. Does capacity position include load  
19 growth?

20 A. Yes, it does.

21 Q. For purposes of comparison of the proposed  
22 Metro East transfer to the CTG alternative, would it be  
23 possible to limit a multi-year analysis to a comparison of  
24 the variable production costs in interchange sales?

25 A. Would it be possible?

1 Q. Yes.

2 A. I think anything is possible.

3 Q. Can you give an indication of the degree of  
4 ease or difficulty that that would require?

5 A. With the variable production costs only issue?  
6 Sure. I can talk about that.

7 Q. Variable production costs in interchange  
8 sales.

9 A. Sure. Sure. We can talk about that. Yeah,  
10 we could model those things. There's no difficulty. The --  
11 there is some speculative nature as to the costs of what the  
12 environmental types of controls will be, there is some  
13 matter of interpretation of what laws will be enacted and  
14 when they will be enacted, and there will be some  
15 interpretation of what the capital and operating costs for  
16 these options are. Those things -- you know, we could sit  
17 down at a table and probably come up with a reasonable range  
18 of assumptions to do that analysis.

19 What we don't know is on the revenue side.  
20 And, again, we're talking interchange sales, we're talking  
21 market price. Not all coal-fired plants in the midwest are  
22 of the quality of Ameren Union Electric's generation fleet.  
23 Where our coal costs are maybe in the 10 to 25 dollar  
24 megawatt hour range, there will be several --

25 Q. Mr. Voytas, I think you've answered my

1 question.

2 MR. FITZHENRY: I object. I think clearly a  
3 narrative question was asked of the witness.

4 JUDGE THOMPSON: Read the question back.

5 THE COURT REPORTER: "Question: Can you give  
6 an indication of the degree of ease or difficulty that that  
7 would require?"

8 JUDGE THOMPSON: That question clearly calls  
9 for a narrative. Please finish your answer, sir.

10 THE WITNESS: Again, there are a multitude of  
11 marginal coal-fired generations that's involved in setting  
12 the market price. When some of these environmental  
13 mitigation measures, capital costs are incurred, these  
14 plants will be retired.

15 When they're retired, they'll be replaced,  
16 more megawatt hours will be produced by gas-fired  
17 generation. That will increase costs, that will increase  
18 market prices and that will loop around again and because  
19 gas is a more scarce commodity than coal, the escalation of  
20 gas prices will increase.

21 And it will have a -- if you will, a very --  
22 everything is linked and that cycle will continue and  
23 continue and continue. And that's the difficulty and that's  
24 what makes the analysis that you suggested extremely  
25 difficult to run.



1 BY MR. DOTTHEIM:

2 Q. Mr. Voytas, I think you earlier indicated that  
3 load growth would be included in the determination of a  
4 capacity position?

5 A. That's correct.

6 Q. Would a reasonable assumption for load growth  
7 to be used in a multi-year analysis be that the native load  
8 to be served by AEG's generation resources is what you have  
9 assumed as part of your capacity position analysis?

10 A. I don't know.

11 Q. Can you give an idea of the amount of time it  
12 would take to put together load growth and capacity  
13 positions for AmerenUE and AEG for the Metro East transfer  
14 alternative?

15 A. Let me make sure -- I want -- I've got this  
16 straight. The amount of time it takes to determine the  
17 AmerenUE capacity position, the AEG capacity position with  
18 and without the Metro East transfer. Do I --

19 Q. I asked it for the Metro East transfer.

20 A. Okay. Obviously for the AmerenUE piece, there  
21 is some degree of certainty on that side. The load growth  
22 is relatively constant and the Metro East load is relatively  
23 constant. We could do that relatively quickly. We would  
24 make some assumptions about the Metro East load and the  
25 assumptions about the switching that may occur in the

1 AmerenUE service territory. But those -- those are things  
2 that could be done in a relatively quick manner.

3 You also asked for the capacity position on  
4 the AEG side. I don't know to the extent that Missouri is  
5 familiar with what's going on in Illinois, but effective  
6 January 1, 2007, the Illinois distribution companies will  
7 seek -- will issue requests for proposals for 100 percent of  
8 their power supply requirements. And whether Ameren Energy  
9 Generating will serve any or all or something else or what  
10 they're going to do, that's a bit more difficult.

11 And we can make assumptions and we could  
12 assume the status quo, we could do all kinds of things but  
13 the degree of certainty, the degree of reasonableness, that  
14 would be much more difficult, time-consuming and it's  
15 basically going into uncharted territories for which we  
16 don't have anything on which we could build models.

17 Q. Does that analysis already exist for AmerenUE?

18 A. AmerenUE has a 10-year capacity position where  
19 we forecast the load and generation, that's correct.

20 Q. Could you give an idea as to what amount of  
21 time it would take to put together load growth and capacity  
22 positions for AmerenUE and AEG for the CTG alternative?

23 A. My answer is the same as to the previous  
24 question.

25 Q. Mr. Voytas, assume with me for a moment that

1 the Commission decides that the least cost analysis  
2 presented by AmerenUE is deficient and the Commission needs  
3 for the least cost analysis to include a multi-year analysis  
4 of the differences in variable production costs and  
5 interchange sales. How long would it take for AmerenUE to  
6 put together that analysis?

7 A. I estimate that to do an analysis of that  
8 nature would require the use of hiring additional consultant  
9 expertise to try to determine the relationship between the  
10 environmental legislation and the impact on prices on both  
11 in terms of -- on gas and electric. And that would be a  
12 very detailed study and I would say six to twelve months  
13 with -- leaning towards twelve months as, you know, my best  
14 crystal ball at this precise moment.

15 MR. DOTTHEIM: Could I have a moment, please?

16 JUDGE THOMPSON: You may.

17 BY MR. DOTTHEIM:

18 Q. Could you indicate how long you would think it  
19 would take to put such analysis together if no change in  
20 environmental laws or regulations were assumed?

21 A. To put together a production costing analysis  
22 under that assumption would be relatively straightforward  
23 and could be done in a reasonable time period, four to six  
24 weeks.

25 Q. Mr. Voytas, I'd like to refer you to your

1 Direct Testimony, page 9, lines 2 through 4.

2 A. Yes.

3 Q. Mr. Voytas, is it your testimony that your  
4 least cost analysis examined all fixed O&M, AEG and  
5 decommissioning costs that are presently allocated to  
6 AmerenUE's Illinois ratepayers but would go to AmerenUE's  
7 Missouri retail customers as a result of the Metro East  
8 transfer if it were approved?

9 A. That requires a yes or no answer?

10 Q. Yes.

11 A. No.

12 Q. Would it be accurate to state that your least  
13 cost -- your least cost analysis examined all test year  
14 generation related fixed O&M, AEG and decommissioning costs  
15 that are presently allocated to AmerenUE's Illinois  
16 customers but would go to AmerenUE's Missouri customers if  
17 the Metro East transfer were authorized?

18 A. Yes.

19 Q. Would it be accurate to state that your least  
20 cost analysis did not examine all non-generation related  
21 fixed O&M and A&G costs that are presently allocated to  
22 AmerenUE's Illinois customers but would go to AmerenUE's  
23 Missouri customers if the proposed Metro East transfer were  
24 authorized?

25 A. I don't think it's fair to say that my

1 analysis did not include that. There are not -- there's not  
2 numbers representing that, but those issues were discussed  
3 with the subject matter experts who have testified  
4 previously and the conclusion were that those costs were  
5 minimal, if at all any.

6 Q. So as a consequence, those costs or all of  
7 those costs were not examined?

8 A. I did not examine those.

9 Q. And the least cost analysis was performed by  
10 you?

11 A. Yes.

12 Q. I'd like to refer you again to your  
13 Surrebuttal Testimony, page 20, lines 5 to 6.

14 A. Yes.

15 Q. You refer to a filing of AmerenUE in October  
16 2000, do you not?

17 A. Yes, I do.

18 Q. Do you recall whether that filing was given  
19 the title of EM-2001-233?

20 A. I don't recall.

21 Q. I'd like to refer you to that same page, lines  
22 6 and 7 where you state, do you not, that the Staff  
23 contested the pleading in November 2000?

24 A. Yes.

25 Q. Do you recall whether AmerenUE filed a request

1 to hold the procedural schedule in abeyance in that case?

2 A. No. I don't recall.

3 MR. DOTTHEIM: If I could have a moment,  
4 please.

5 JUDGE THOMPSON: You may.

6 MR. DOTTHEIM: May I approach the witness?

7 JUDGE THOMPSON: You may.

8 BY MR. DOTTHEIM:

9 Q. Mr. Voytas, I'm going to give you a copy of a  
10 filing made by AmerenUE in Case No. EM-2001-233, which is  
11 entitled Request to Hold Procedural Schedule in Abeyance.  
12 Mr. Voytas, I'd like to first direct you to the caption on  
13 that case and the case number.

14 A. Yes, I see it.

15 Q. Do you recall if that was the case that you  
16 were referring to in your Surrebuttal Testimony?

17 A. It appears that it is.

18 Q. And the case and the caption on Case  
19 No. EM-2001-233 is in the matter of the application of Union  
20 Electric Company d/b/a AmerenUE for an order authorizing the  
21 sale, transfer and assignment of certain assets, real  
22 estate, leased property, easements and contractual  
23 agreements to Central Illinois Public Service Company d/b/a/  
24 AmerenCIPS and in connection therewith certain other related  
25 transactions.

1 Did I read that correctly?

2 A. Yes, you did.

3 Q. And I'd like to direct you to page 2, the  
4 signature block. And the signature block appears a  
5 signature and underneath the signature does it state  
6 James J. Cook, Ameren Services Company, One Ameren Plaza?

7 A. Yes, it does.

8 Q. I'd like to ask you to read into the record on  
9 page 1 the first two paragraphs.

10 A. Paragraph 1, The current schedule calls for UE  
11 to file Supplemental Direct Testimony on February 8th, 2001.  
12 This filing requested by the Staff requires significant  
13 effort by our witnesses once various forecasts are  
14 developed. Those forecasts have not been finalized and,  
15 thus, the testimony cannot be completed.

16 Paragraph 2, Although it is anticipated that  
17 this work will be completed in approximately two weeks, it  
18 is not possible to give the Commission and other parties any  
19 assurance of an exact date when that work will, in fact, be  
20 completed. Accordingly, the company hereby informs the  
21 Commission and all parties that the February 8th, 2001  
22 filing date cannot be met.

23 Q. And, Mr. Voytas, would you read the third  
24 paragraph that appears on that first page and carries over  
25 to the second page?

1           A.       Paragraph 3, The remainder of the schedule  
2       previously submitted and approved by the Commission is, of  
3       course, dependent upon this February 8th filing. Since it  
4       is not clear when that filing can be made, the company  
5       respectfully requests that the remainder of the procedural  
6       schedule be held in abeyance until the filing is made.

7           Q.       Now, Mr. Voytas, did you perform an analysis  
8       that was filed in Case No. EM-2001-233?

9           A.       I don't remember, but I don't believe I did.

10          Q.       Do you know the forecast -- anything regarding  
11       the forecasts that are mentioned in the document?

12          A.       No, I don't.

13          Q.       Mr. Voytas, I'd like to direct you again to  
14       your testimony -- Surrebuttal Testimony, page 20, this time  
15       line 7 where you state in part, AmerenUE withdrew its  
16       pleading in May 2001, do you not?

17          A.       Yes.

18                   MR. DOTTHEIM: May I approach the witness?

19                   JUDGE THOMPSON: You may.

20       BY MR. DOTTHEIM:

21          Q.       Mr. Voytas, I'm going to hand you another  
22       pleading in Case No. EM-2001-233 that's entitled Request for  
23       Leave to Withdraw Application for Transfer of Assets.

24                   MR. FITZHENRY: Your Honor, if it would help  
25       to move this matter along, the company would stipulate to



1 the admission of this exhibit that's been shown to  
2 Mr. Voytas.

3 JUDGE THOMPSON: Mr. Dottheim, are you  
4 planning to admit that?

5 MR. DOTTHEIM: Well, I was going to ask  
6 Mr. Voytas just to read a portion of the document.

7 JUDGE THOMPSON: Please proceed.

8 BY MR. DOTTHEIM:

9 Q. Mr. Voytas, I'd like to direct you to -- there  
10 aren't page numbers -- what is page 3, paragraph 8.

11 A. Yes, I'm there.

12 Q. Okay. And I'd like to ask you to read into  
13 the record paragraphs 7 and 8.

14 A. Paragraph 7, Thereafter, the company filed a  
15 request to hold procedural schedule in abeyance on  
16 February 6th, 2001 noting that work on the additional  
17 information requested by the Staff was not complete. The  
18 Commission granted that request on February 26th, 2001.

19 On February 20th, the company filed a status  
20 report indicating that work was continuing and on March 15  
21 the company again informed the Commission that it was not  
22 yet prepared to file the additional testimony. The company  
23 indicated that it would respond further to the Commission  
24 and the parties by April 15th, 2001 concerning the matter.

25 Do you want me to read paragraph 8?

1 Q. Yes, please.

2 A. Okay. Paragraph 8, Subsequent to that last  
3 filing, the company and AmerenCIPS have decided not to  
4 proceed with the proposed transfer. Therefore, the company  
5 asks leave to dismiss this matter.

6 The request for various approvals concerning  
7 the company's decommissioning trust fund are also withdrawn  
8 and the company asks leave that those requests be dismissed  
9 as well. Requests for approval of the transfer which are  
10 currently pending in other jurisdictions will also be  
11 withdrawn or dismissed.

12 Alternative plans for meeting AmerenUE's  
13 capacity energy needs for the summer of 2001 have already  
14 been commenced. Additional plans for later years are being  
15 developed and will be shared with the Staff and the Public  
16 Counsel in future meetings.

17 Q. Mr. Voytas, I'd like to direct you to the next  
18 page, to the signature block. There's a signature and  
19 underneath the signature it's indicated or appears the words  
20 James J. Cook, Ameren Services Company, One Ameren Plaza; is  
21 that correct?

22 A. That's correct.

23 Q. And there's also on that page a date that's  
24 dated March 29, 2001?

25 A. Yes, there is.

1           Q.     Mr. Voytas, if I could direct you to your  
2 Surrebuttal Testimony again, lines 7 to 15.

3           A.     Yes.

4           Q.     And I'd also like to direct you to page 11 of  
5 your Surrebuttal Testimony, lines 1 to 6.

6           A.     Yes.

7           Q.     Mr. Voytas, did you participate in those  
8 meetings and discussions that you identified on those lines?

9           A.     Yes.

10          Q.     In those meetings and discussions, the Staff,  
11 did it not, refused to enter into any agreement based upon  
12 the maintenance and continuation of the Joint Dispatch  
13 Agreement on its present terms, did it not?

14          A.     That's not my exact recollection. There was a  
15 JDA component to it, but that's not my exact recollection.

16          Q.     Do you recall the Staff indicating that it  
17 would not agree to sign on to an extension of the Joint  
18 Dispatch Agreement for a 10-year period?

19          A.     My recollection -- is it yes or no? No, that  
20 is not my recollection.

21          Q.     Thank you.

22                 MR. DOTTHEIM: I have a few questions for  
23 Mr. Voytas on reserve margin, so out of caution, I would  
24 suggest that we probably need to go in-camera.

25                 JUDGE THOMPSON: Very well.

1                   (REPORTER'S NOTE: At this time, an in-camera  
2       session was held, which is contained in Volume No. 18, pages  
3       1642 through 1646 of the transcript.)

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25



- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1 JUDGE THOMPSON: We'll go back into public  
2 session at this time. Please proceed.

3 MR. DOTTHEIM: Thank you again for your  
4 patience, Mr. Voytas. I have no further questions at this  
5 point.

6 JUDGE THOMPSON: Thank you, Mr. Dottheim.  
7 Mr. Micheel?

8 MR. MICHEEL: Did we move the admission of 81?  
9 Is that in?

10 JUDGE THOMPSON: Yes.

11 RICHARD VOYTAS testified as follows:

12 CROSS-EXAMINATION BY MR. MICHEEL:

13 Q. Mr. Voytas, I want you to assume a reserve  
14 margin of 15 percent was used in your least cost analysis  
15 for your CTGs. Can you do that?

16 A. Sure.

17 Q. Isn't it correct that all things remaining the  
18 same, if a reserve margin as used was 15 percent, one would  
19 need fewer megawatts to serve the load than if the reserve  
20 margin was 17 percent?

21 A. That's correct.

22 Q. Would you agree with me, all things remaining  
23 the same, a reduction in megawatts lowers the cost of the  
24 CTG option?

25 A. That's correct.

1           Q.       Is it correct that the proposed transfer,  
2   AmerenUE is going to be transferring approximately 510  
3   megawatts of firm load; is that correct?

4           A.       That's correct.

5           Q.       And I want you to do a little arithmetic. Do  
6   you need a calculator?

7           A.       Yes, I do.

8                   MR. MICHEEL: May I approach the witness, your  
9   Honor?

10                   JUDGE THOMPSON: You may.

11           BY MR. MICHEEL:

12           Q.       Now, would you agree with me, Mr. Voytas, that  
13   if we take 510 megawatts and multiply that by the 17 percent  
14   reserve margin that you utilized in your least cost  
15   analysis, we get approximately 596.7 megawatts; is that  
16   correct

17                   MR. FITZHENRY: Excuse me. The reserve margin  
18   is confidential, so if there's going to be further questions  
19   that relate specifically to Mr. Voytas's least cost analysis  
20   that takes into account that number, we would ask to go  
21   in-camera.

22                   MR. MICHEEL: Your Honor, the reserve margin  
23   of 17 percent utilized in the least cost plan is clearly  
24   stated in Exhibit 41, which was admitted into this  
25   proceeding well over a week ago and it is on a public

1 document.

2 MR. FITZHENRY: I don't recall Exhibit 41. I  
3 just know that this morning we've been cautious about the  
4 reserve margin.

5 JUDGE THOMPSON: It's either confidential or  
6 it's not, so let's answer that question.

7 MR. MICHEEL: If you may, your Honor, I will  
8 provide you a copy of Exhibit 41. It's Mr. Voytas's work  
9 papers to his work papers.

10 JUDGE THOMPSON: Supplemental work papers of  
11 Mr. Voytas.

12 MR. MICHEEL: And if you would look at the  
13 page entitled Economic Analysis of Purchase of AEG CTGs, it  
14 clearly indicates reserve margin 0.17. It --

15 MR. RAYBUCK: What page was that, Mr. Micheel?

16 MR. MICHEEL: If I can just share that with  
17 Mr. Raybuck and Mr. Fitzhenry.

18 JUDGE THOMPSON: Absolutely.

19 MR. FITZHENRY: Apparently that was  
20 overlooked, your Honor. I would ask if it's possible, that  
21 Exhibit 41 be considered confidential at this time. It's  
22 very apparent from Mr. Voytas's testimonies that he has  
23 strived to keep the reserve margin confidential and that's  
24 certainly the company's intention.

25 JUDGE THOMPSON: Do I hear any objections to

1 re-designating Exhibit 41 as HC?

2 Okay. We will re-designate Exhibit 41 as HC  
3 and we will go in-camera at this time.

4 (REPORTER'S NOTE: At this time, an in-camera  
5 session was held, which is contained in Volume No. 18, pages  
6 1651 through 1664 of the transcript.)

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25



- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1 JUDGE THOMPSON: We're back in open session.

2 MR. MICHEEL: I don't want to disappoint.

3 RICHARD VOYTAS testified as follows:

4 CROSS-EXAMINATION BY MR. MICHEEL:

5 Q. So it's your testimony that the SO2 adjustment  
6 that you made to your least cost analysis is not held  
7 constant for 25 years; Is that correct?

8 A. It is my testimony that I did not address the  
9 year-to-year changes in SO2 allowances for each year of the  
10 25-year analysis.

11 Q. And if those analysis change, isn't it correct  
12 that your outcome would change?

13 A. Oh, definitely. As we discussed, any change  
14 up or down in production costs will change the outcome.

15 Q. Is it correct that you believe that the cost  
16 of AmerenUE's constructing additional gas-fired capacity is  
17 at least \$471 per kW?

18 A. That's correct.

19 Q. Is it correct you utilize this \$471 per kW  
20 figure in your 25-year analysis alternative on Schedule 4  
21 for the purchase CTG option?

22 A. That is correct.

23 Q. Would you agree with me that a more realistic  
24 value would be closer to \$450 per kW based on the KTGs that  
25 Ameren either built or is planning to build in the near

1 future?

2 A. Definitely not. In fact, the 471 is  
3 understated relative to those.

4 MR. MICHEEL: Need to get an exhibit marked,  
5 your Honor. I believe it's Exhibit 82.

6 JUDGE THOMPSON: You are correct. It is  
7 indeed Exhibit 82.

8 (Exhibit No. 82 was marked for  
9 identification.)

10 BY MR. MICHEEL:

11 Q. Mr. Voytas, I've handed you a copy of what has  
12 been marked for identification as Exhibit 82. Do you have  
13 that in front of you, sir?

14 A. Yes, I do.

15 Q. Does that indicate that it is the Prepared  
16 Rebuttal Testimony of a Richard A. Voytas in FERC Case  
17 EC03-53-000?

18 A. Yes, it does.

19 Q. And could you turn, sir, to the last page of  
20 that testimony?

21 A. Yes, I have.

22 Q. And is that the affidavit of Richard A.  
23 Voytas?

24 A. Yes, it is.

25 Q. And is that your signature there, sir?

1 A. Yes, it is.

2 Q. And do you attest that it's true and correct  
3 to the best of your knowledge and belief?

4 A. Yes, I do.

5 Q. And does that indicate that it was subscribed  
6 and sworn to you on the second day of October of '03?

7 A. Yes, it does.

8 Q. And does the front page of this indicate that  
9 this was filed with the FERC official secretary on  
10 October 6th, 2003?

11 A. Yes, it does.

12 Q. Could you turn, sir, to page 37 of 41?

13 A. I'm there.

14 Q. Could you read into the record lines 14  
15 through lines 20?

16 A. Lines 14 through lines 20, Question, What  
17 value does Dr. Rudkevich use in his FCR model for the cost  
18 of installing a new combustion turbine in the year 2002?

19 Answer, The value Dr. Rudkevich uses is \$400 a  
20 kW.

21 Go on?

22 Q. Read through line 20.

23 A. Okay. Question, Do you believe this is a  
24 valid assumption?

25 Answer, No, I do not. The value is much lower

1       than what Ameren would use in its modeling. A more  
2       realistic value would be closer to \$450 based on CTGs that  
3       Ameren either built recently or is planning to build in the  
4       near future.

5               MR. MICHEEL: With that, your Honor, I would  
6       move the admission of Exhibit 81.

7               MR. FITZHENRY: Your Honor, at a break we'd  
8       like to consider whether or not the entire exhibit -- the  
9       entire testimony should go in. I don't have any objection  
10      to at least this portion going in, but it might be more  
11      appropriate that the entire testimony go in and we'd like to  
12      give that some further thought.

13              MR. MICHEEL: I have absolutely no problem  
14      with that, your Honor. I just didn't want to clutter the  
15      record with more paper.

16              JUDGE THOMPSON: Very well. Hearing no  
17      objections, Exhibit 82 is received.

18              (Exhibit No. 82 was received into evidence.)

19              JUDGE THOMPSON: You'll have every  
20      opportunity, Mr. Fitzhenry, to put anything you feel needs  
21      to go into the record in to clarify that.

22              MR. FITZHENRY: Thank you.

23      BY MR. MICHEEL:

24              Q.       Would you agree with me that you filed your  
25      Direct Testimony in this case on September 17th, 2003?

1 A. It sounds familiar.

2 Q. Well, do you have a copy of your Direct  
3 Testimony with you?

4 A. Are we talking the FERC case or are we talking  
5 this case?

6 Q. This case, not the FERC case.

7 A. Okay.

8 Q. And if you just look at the front cover of  
9 your testimony, it says Date Testimony Prepared,  
10 September 17th, 2003, does it not?

11 A. It does.

12 Q. So you filed the FERC testimony that we talked  
13 about after you filed this testimony; is that correct?

14 A. That's correct. The Rebuttal Testimony has a  
15 September -- or October 6th, 2003 date stamp on it.

16 Q. You would agree with me if we used \$450 per kW  
17 in your CTG analysis, all things remaining the same, that  
18 would lower the total cost of purchased CTG portion of your  
19 analysis; is that correct?

20 A. A lower capital cost would lower the cost of  
21 the CTG analysis.

22 Q. Is it correct that Mr. Kind provided AmerenUE  
23 with work papers recalculating the purchased CTG analysis  
24 using the \$450 per kW?

25 A. I believe those were handed to us on



1 Wednesday, the first day of this hearing, that's correct.

2 Q. And have you reviewed those work papers?

3 A. At the time I did.

4 Q. And is it correct that using the \$450 per kW  
5 reduces the annuity value of the transfer UE Illinois  
6 service territory to \$.6 million?

7 A. I don't have the work papers with me. That  
8 sounds familiar, but I don't have the work papers with me.

9 MR. MICHEEL: I guess I'll get an exhibit  
10 marked, your Honor, and then approach -- may I approach the  
11 witness and get an exhibit marked?

12 JUDGE THOMPSON: You may.

13 (Exhibit No. 83 was marked for  
14 identification.)

15 MR. MICHEEL: I believe this is Exhibit 82,  
16 your Honor?

17 JUDGE THOMPSON: This would be 83.

18 MR. MICHEEL: 83.

19 JUDGE THOMPSON: What should we call this one?

20 MR. MICHEEL: Public Counsel Witness Kind's  
21 Scenario C Work Papers.

22 JUDGE THOMPSON: Okay.

23 BY MR. MICHEEL:

24 Q. Mr. Voytas, are these Mr. Kind's work papers  
25 that calculated the purchased CTG cost at \$450?

1           A.       Yes, they are.

2           Q.       And does indeed that work paper indicate that  
3       utilizing a \$450 cost would reduce the annual annuity to  
4       \$600,000?

5                   MR. FITZHENRY: Your Honor, I'm going to  
6       object to this line of questioning. I think it's wholly  
7       improper for Mr. Voytas to be asked questions regarding his  
8       testimony based on work papers produced by another witness  
9       in this proceeding.

10                  JUDGE THOMPSON: Well, you know, as I've had  
11       occasion to point out before, in Missouri during  
12       cross-examination you can hand a witness anything and ask  
13       him any questions you want about it. And if the witness is  
14       unable to respond, the witness simply states, I don't know.  
15       So I will overrule the objection.

16                  THE WITNESS: Can you point me to the section  
17       of the work papers where that result exists? I don't know  
18       where that is.

19       BY MR. MICHEEL:

20           Q.       Sure. Could you just turn to the last page,  
21       sir? And I'm looking at the difference between the 43.1 and  
22       43.7.

23           A.       I'm there.

24           Q.       And does that indicate a \$600,000 difference?

25           A.       That indicates a \$600,000 difference.

1 Q. And that's assuming the \$450 cost; isn't that  
2 correct?

3 A. I assume so.

4 Q. And could you turn to the page -- the next to  
5 last page, sir, the transfer UE Illinois service territory?

6 A. Yes.

7 Q. And does that indicate that the annuity is  
8 \$600,000 there?

9 A. It does.

10 Q. And does that indicate that the present value  
11 is 6.1?

12 A. It does.

13 Q. And if you could, sir, compare that page with  
14 the second to last page in Exhibit 41 to confirm that the  
15 only change made there is to the \$450 per kW analysis.

16 A. Yes, I have.

17 Q. And is it the same but for the \$450?

18 A. It appears that way.

19 MR. MICHEEL: With that, your Honor, I would  
20 moved the admission of this exhibit, Exhibit 83.

21 JUDGE THOMPSON: Objections?

22 MR. FITZHENRY: Your Honor, I do object. I  
23 mean, there's been no foundation laid in the questions by  
24 Mr. Micheel or it's certainly evident in Mr. Voytas's  
25 answers that he has no understanding or basis for these work

1 papers, he doesn't know their origination. I think it's  
2 improper to draw any conclusions from these questions and to  
3 now offer this testimony -- this exhibit into the record.

4 MR. MICHEEL: Your Honor, I just --

5 JUDGE THOMPSON: Tell you what I'm going to  
6 do. You're going to have an opportunity later today or  
7 tomorrow with Mr. Kind on the stand. So why don't you just  
8 hold onto this until Mr. Kind is up there and he can  
9 authenticate this exhibit and you can offer it at that time.

10 MR. MICHEEL: For the record, I would like to  
11 speak to that objection though just to --

12 JUDGE THOMPSON: Please do.

13 MR. MICHEEL: Your Honor, I think that I  
14 adequately laid the proper foundation for this. I asked  
15 Mr. Voytas if this work paper that I had him look at was  
16 exactly the same as his work paper in Exhibit 41 but for the  
17 exception of the 450 megawatt assumption and he indicated  
18 yes. So for the record, I think I've laid the appropriate  
19 foundation. I will move on now.

20 JUDGE THOMPSON: Thank you very much,  
21 Mr. Micheel.

22 BY MR. MICHEEL:

23 Q. Is it correct, Mr. Voytas, that AmerenUE  
24 cannot complete the proposed Pinckneyville and Kinmundy  
25 transfer without approval of this application?

1           A.       That is incorrect.

2           Q.       And why is that incorrect?

3           A.       Mr. Nelson put that in his policy testimony  
4       and indicated that Mr. Sullivan has -- has developed other  
5       options. I don't know the reasons for that, but Mr. Nelson  
6       addressed that.

7           Q.       So you don't know why it's incorrect?  
8       Somebody just -- you just heard something?

9           A.       I don't know why it's -- I know there are  
10      other options.

11                  MR. MICHEEL: I need to just consult real  
12      quickly here.

13                  JUDGE THOMPSON: You may.

14      BY MR. MICHEEL:

15           Q.       Mr. Voytas, do you have a copy of I believe it  
16      is Exhibit 81?

17           A.       What is the name of Exhibit 81?

18                  MR. MICHEEL: And, again, this is going to be  
19      going into proprietary stuff. That is the Resource Planning  
20      Briefing Session.

21                  JUDGE THOMPSON: All right. You want to go  
22      into closed session?

23                  MR. MICHEEL: Eventually we're going to have  
24      to, I think.

25                  JUDGE THOMPSON: Let's go ahead and do that

1       now.

2                       MR. MICHEEL:  Just so I don't forget, it's  
3       probably best.

4                       (REPORTER'S NOTE:  At this time, an in-camera  
5       session was held, which is contained in Volume No. 18, pages  
6       1676 through 1681 of the transcript.)

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1 JUDGE THOMPSON: We'll go back into public  
2 session at this time. Very well, please proceed.

3 RICHARD VOYTAS testified as follows:

4 CROSS-EXAMINATION BY MR. MICHEEL:

5 Q. And are you at page 5 of your Direct  
6 Testimony, sir?

7 A. Yes, I am.

8 Q. And do you state in lines 2 through 5 that the  
9 revenue requirements for the Metro East service area  
10 transfer were normalized to more accurately reflect future  
11 expectations?

12 A. Yes, I do.

13 Q. And you would agree with me, would you not,  
14 that the SO2 adjustment was one of the normalized  
15 adjustments that you were referring to there?

16 A. Yes, I do.

17 Q. And now earlier today you testified that your  
18 analysis does not assume that the normalized level of SO2  
19 adjustments continues for the next 25 years; isn't that  
20 correct?

21 A. That's absolutely correct.

22 Q. And so where in your Direct Testimony is that  
23 noted?

24 A. My Direct Testimony is what it is on the  
25 schedules. Again, the prime difference is that the

1 differential and net cost between the two options stays  
2 constant.

3 Q. Let me ask you this. Where on your Schedule 2  
4 does it indicate anywhere that you made an adjustment for  
5 SO2 revenues?

6 A. I think we've been through that as to the SO2  
7 testimony. That was included in a work paper.

8 MR. MICHEEL: That wasn't my question, your  
9 Honor.

10 BY MR. MICHEEL:

11 Q. My question was, where's that adjustment on  
12 Schedule 2?

13 A. That adjustment does not appear on Schedule 2.

14 Q. And that adjustment doesn't appear anywhere in  
15 your Direct Testimony, your Surrebuttal Testimony or your  
16 initial work papers, isn't that correct, Mr. Voytas?

17 A. It appears in my work papers. I don't know  
18 what you mean by "initial work papers," but other than that,  
19 yes, that's correct.

20 Q. Well, you remember we put in Exhibit 40. That  
21 was your work papers. Do you recall that, sir?

22 A. I do.

23 Q. And then subsequent to providing your work  
24 papers, you provided supplemental work papers, work papers  
25 to your work papers that were Exhibit 41; is that correct?

1           A.       I believe that's correct.

2           Q.       And in your initial work papers the SO2  
3 adjustment does not appear; isn't that correct?

4           A.       That's correct.

5           Q.       And there's nowhere in your Surrebuttal  
6 Testimony or your Direct Testimony or on any of your  
7 schedules that indicates that you didn't do anything but  
8 normalize the SO2 adjustment for 25 years; isn't that  
9 correct?

10          A.       That's not correct. I don't state that I did  
11 normalize it for 25 years or that I did not normalize it for  
12 25 years. It is not addressed.

13                 MR. MICHEEL: If I can just have a moment,  
14 your Honor, I think I'll be finished up.

15                 JUDGE THOMPSON: You may.

16 BY MR. MICHEEL:

17          Q.       Mr. Voytas, if you're not willing to testify  
18 that your SO2 number is an expectation for 25 years, is it  
19 an expectation for one week?

20          A.       We did a test year analysis. It's the  
21 expectation for the test year.

22          Q.       So that's an expectation for one year and one  
23 year only; is that correct?

24          A.       That cost rolled into the other costs is the  
25 expectation for that year.

1           Q.       And so that is completely excluded from your  
2 other 24 years of your analysis. Is that your testimony?

3           A.       My testimony is that the two options in net  
4 difference in production costs will be constant for the  
5 25 years of the analysis. There are dynamics happening in  
6 there both positive and negative and the net difference  
7 remains positive. That is the major assumption in the  
8 analysis.

9                   MR. MICHEEL: I don't think I have anything  
10 else for this witness, your Honor.

11                   JUDGE THOMPSON: Very well. Thank you,  
12 Mr. Micheel. Chairman Gaw, questions from the Bench?

13                   CHAIR GAW: No, thank you.

14                   JUDGE THOMPSON: I have no questions for you  
15 Mr. Voytas.

16                   Redirect, Mr. Fitzhenry?

17                   MR. FITZHENRY: Your Honor, could I have a  
18 moment, please, a couple moments?

19                   JUDGE THOMPSON: You may.

20                   MR. MICHEEL: Your Honor, I'm not certain if  
21 I've offered Exhibits 82 -- Exhibit 82.

22                   JUDGE THOMPSON: 82 has been offered and  
23 received. 84 has been offered and received.

24                   MR. MICHEEL: Thank you.

25                   MR. FITZHENRY: I think I'm ready to proceed,



1 your Honor.

2 JUDGE THOMPSON: Please proceed.

3 REDIRECT EXAMINATION BY MR. FITZHENRY:

4 Q. Referring back to questions posed to you by  
5 Mr. Dottheim at the beginning of your cross-examination, he  
6 asked you some questions about the use of sensitivity  
7 analysis in your least cost planning analysis. Do you  
8 remember generally those questions?

9 A. Yes, I do.

10 Q. Okay. And I guess just for the record, would  
11 you please explain your understanding or what you understand  
12 to be a sensitivity analysis?

13 A. Sensitivity analysis is relatively standard  
14 jargon in the industry. And we do a sensitivity analysis  
15 on, for instance, the asset mix optimization studies. We'll  
16 vary the price inputs, the cost of gas, cost of coal, the  
17 capital costs, things of that nature and see how that  
18 impacts the analysis.

19 Q. Okay. And did you believe that use of that  
20 kind of analysis was appropriate for the least cost analysis  
21 that you conducted for this proceeding?

22 A. No, I did not. There were too many  
23 interacting variables and too many speculative costs that  
24 would make anything that we assumed just that much more  
25 subject to the question.

1           Q.       And, again, in reference to questions posed to  
2       you by Mr. Dottheim, you discussed the January 2002 meetings  
3       that took place between the company and the Staff. Do you  
4       recall those questions?

5           A.       Yes, I do.

6           Q.       Was the propriety, if you will, or the type of  
7       analysis that might be considered discussed at that time for  
8       determining what would be AmerenUE's next-best least cost  
9       resource?

10          A.       That's true. This -- the analysis  
11       specifically that we're talking about is the Metro East  
12       transfer analysis. And this is a bit of a different animal  
13       than our typical options that we look at because, again,  
14       there's a cost allocation from these -- these A&G costs that  
15       are shared between Missouri and Illinois where typically we  
16       don't have that in our analyses. So this was a bit of a  
17       different animal.

18                 So when we sat down and we talked about the  
19       analysis and we talked about the type of analysis, we  
20       decided upon this test year approach. And that was a  
21       reasonable assumption to assume that this differential in  
22       net costs would be relatively constant.

23                 We talked about the costs that were out there.  
24       We talked about the revenues that were out there. And the  
25       difficulties of trying to identify those for a 20-year or

1 25-year analysis were very difficult. So we got together  
2 and we came -- came to this methodology. The work papers,  
3 you know, were extensive.

4 Again, the ideas of how much cost is allocated  
5 to generation, how much is allocated to transmission, those  
6 things entailed multiple meetings to get the correct  
7 accounting spreadsheets together to give all parties comfort  
8 that the costs were adequately identified.

9 Q. Well, I guess my question really is, in that  
10 January 2002 meeting, was the propriety of using a  
11 sensitivity analysis discussed?

12 A. No, it was not.

13 Q. Okay. Now, Mr. Dottheim had also asked you  
14 some questions regarding the mark-to-market analysis that  
15 you did for the CTG scenario. Do you remember again  
16 generally those questions?

17 A. Yes, I do.

18 Q. Okay. Let me refer you to your Direct  
19 Testimony, Schedule 4.

20 A. I'm there.

21 Q. Okay. And is it correct that the  
22 mark-to-market analysis that you conducted for the purchased  
23 CTG scenario is reflected in the line item entitled Margin  
24 on Energy?

25 A. That's correct.

1           Q.       If you were to do what Mr. Dottheim was  
2       suggesting you do, that is, not look forward and try to  
3       determine what the sales and energy would be under the  
4       scenario, what impact, if any, would that have on the total  
5       cost for the purchased CTG on an annualized basis?

6           A.       Well, my understanding is that to make this a  
7       true apples to apples comparison, we should use a 2002 test  
8       year for this margin on energy. In 2002, there's been other  
9       exhibits established in this testimony, where market prices  
10      were very low.

11                   In essence, what that would do is that would  
12      further reduce the margin on energy if that was held  
13      constant for all years of the analysis and that would add  
14      approximat-- to keep things on a 2002 test year basis, that  
15      would add approximately \$1.2 million per year to the annuity  
16      of this calculation.

17           Q.       So do I understand you to say that under the  
18      purchased CTG scenario under the line item Total Cost and  
19      let's say under the column Annuity, that would make that  
20      number in the parenthesis bigger than what is shown on the  
21      schedule?

22           A.       That's correct.

23           Q.       And that would result in an annuity under the  
24      Transfers Less by line item greater than what's shown there?

25           A.       That's correct.

1           Q.     Let me refer you --

2                   MR. FITZHENRY:  We'll need to go in-camera.

3                   JUDGE THOMPSON:  Very well.  We'll go into  
4 closed session.

5                   (REPORTER'S NOTE:  At this time, an in-camera  
6 session was held, which is contained in Volume No. 18, pages  
7 1691 through 1694 of the transcript.)

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1 JUDGE THOMPSON: Mr. Nelson, I'm going to  
2 bring you back so that we can start talking with you about  
3 this list of conditions that Staff has prepared because I  
4 understand you are not available tomorrow.

5 THE WITNESS: Yes, sir.

6 JUDGE THOMPSON: And it is my firm, firm hope  
7 that this hearing will not continue until next week.

8 I will remind you that you are still under  
9 oath.

10 THE WITNESS: Yes, sir.

11 JUDGE THOMPSON: Now, since you're essentially  
12 an unscheduled witness on this topic and I invited you back  
13 or directed you to return, we're going to start with  
14 questions from the Bench and then give the parties an  
15 opportunity thereafter to do whatever sort of  
16 cross-examination they would like and we'll permit then the  
17 Ameren attorneys, whoever they choose, to go ahead and do  
18 redirect. Okay?

19 And I would anticipate that we'll break for  
20 lunch around the noon hour and so you'll be back after  
21 lunch. Okay?

22 QUESTIONS BY JUDGE THOMPSON:

23 Q. Now, have you had an opportunity to read this  
24 document that was prepared by Staff?

25 A. Staff's list of conditions?

1 Q. Yes, sir.

2 A. Yes, I have.

3 JUDGE THOMPSON: Okay. Did you have any  
4 questions?

5 CHAIR GAW: Go right ahead.

6 BY JUDGE THOMPSON:

7 Q. The first condition is indicated on page 3, No  
8 Rate-making Determinations. Do you see that?

9 A. Yes, I do.

10 Q. Did Ameren request any rate-making  
11 determinations in its application, to your knowledge?

12 A. Some very specific ones, sir. We agree that  
13 this is not a rate case, we understand the Commission likes  
14 to put in the paragraph that this is not rate-making  
15 approval. We have absolutely no objection to that, but  
16 there are certain findings necessary for nuclear  
17 decommissioning.

18 Q. I wonder if you would just list those in  
19 summary fashion at this time?

20 A. I cannot, but I do know that Mr. Kevin Redhage  
21 did list them toward the end of his testimony. There's a  
22 section where it specifically identifies the ones that we  
23 need.

24 Q. Okay. And that would be in his Direct or his  
25 Surrebuttal?

1 MR. LOWERY: Your Honor, if I can assist,  
2 toward the end of his Surrebuttal.

3 JUDGE THOMPSON: Okay. Thank you. I  
4 appreciate your assistance.

5 THE WITNESS: And, your Honor, I can be more  
6 specific on that when we get into the nuclear  
7 decommissioning condition because there are two alternatives  
8 there, a qualified or unqualified contribution.  
9 BY JUDGE THOMPSON:

10 Q. I'm looking at page 12 of Mr. Redhage's  
11 Surrebuttal. At the bottom of the page there's a section  
12 labeled Summary. Is this the right place for me to be  
13 looking?

14 A. Yes, it is.

15 Q. Okay. So I'm now reading at page 13, In  
16 conjunction with the proposed transfer, company requests the  
17 Commission concurrently approve the following.

18 There's a list then of four items. Are these  
19 the items that we're concerned with?

20 A. Yes, they are.

21 Q. The reallocation of a portion of  
22 decommissioning cost previously allocated to Illinois  
23 ratepayers to Missouri ratepayers. Right?

24 A. Right.

25 Q. Now, is that one of the items that Staff is

1 suggesting the Commission should not approve?

2 A. To fully answer your question, we're going to  
3 have to go to nuclear decommissioning because there are two  
4 scenarios there.

5 Q. Tell me whatever you need to tell me.

6 A. All right.

7 Q. On page 10 of Staff's list of  
8 recommendations --

9 Q. Okay.

10 A. -- there are -- they talk about the triennial  
11 decommissioning fund review and then they identify that  
12 somebody ought to make that \$272,000 contribution and they  
13 list three options. And let me emphasize that the 272  
14 contribution for Illinois is not part of the least cost  
15 analysis. Mr. Voytas did include it in his test year, so  
16 that's not at issue.

17 What's at issue is should we contribute the  
18 272,000 for the next 18 months, yes or no. And Staff is  
19 saying, yes, we should. Company's testimony says, no, we  
20 don't need to because it's in the zone of reasonableness.

21 If the Commission were to require -- or if the  
22 Commission were to set a condition that the company  
23 contribute that amount, of course we would highly prefer  
24 that it be to a qualified fund. And that would take certain  
25 findings that Mr. Redhage has asked for in his testimony.

1                   Staff has suggested on page 11 that it be  
2     contributed to a non-tax qualified decommissioning fund.  
3     Well, there ain't any such fund for UE. And let me explain  
4     why that doesn't make sense.

5                   If there were a condition imposed on us to  
6     contribute that 272 for the next 18 months, we would have to  
7     establish that non-qualified fund. And as I understand it,  
8     we'd have to come back to this Commission, I think it would  
9     involve the IRS. And it just isn't worth it for this  
10    Commission or for us to do that.

11                  So later on page 11 the Staff recommends the  
12    Commission doesn't find anything in regard to this zone of  
13    reasonableness. We -- there were really three options and  
14    we like the first option obviously. The first option is we  
15    don't need to contribute anything for the next 18 months  
16    because this triennial review is coming up in 18 months and  
17    the Commission can address it then.

18                  Q.     And that's the favored Union Electric  
19    position?

20                  A.     Yes. That's our position in testimony.  
21    That's what we prefer.

22                  A second option is the Commission make the  
23    correct findings, if we have to contribute this, so that it  
24    can be contributed to a qualified planned UE fund.

25                  Q.     Okay.

1           A.       And, sir, I'm not exactly sure what those are,  
2       but they can be contained and found in Mr. Redhage's  
3       testimony.

4           Q.       Very well.

5           A.       The third option, which we don't think makes  
6       any sense at all, is just to waste our time and the  
7       Commission's time setting up a new non-qualified fund that's  
8       only going to be needed for 18 months.

9           Q.       And that is the Staff's favored option, as far  
10      as you know?

11          A.       I'm not sure it's their favorite, but it's --

12          Q.       It's what they're asking for?

13          A.       They're asking for two things, as I understand  
14      it. That we contribute it -- I think -- yes, I think that's  
15      the impact of their condition because unless -- yes, because  
16      unless the Commission makes certain findings, it's going to  
17      have to go into that non-qualified trust and they don't want  
18      the Commission to make those findings.

19          Q.       Can you tell me succinctly what the difference  
20      is between a qualified and non-qualified fund? I understand  
21      that there is no unqualified fund at this time, but if one  
22      were established, what is the difference between that and  
23      the existing qualified fund?

24          A.       Well, one of the economic impacts for a  
25      qualified fund is the company gets a tax deduction for the

1 contribution. And obviously compared to the size of this  
2 deal, the tax deduction, the 272,000, is not that big a  
3 deal. It's just the extra effort and work involved in  
4 setting up this non-qualified trust for 18 months we find  
5 unnecessary.

6 Q. Okay. As far as you know, is there any  
7 difference -- if the money goes into the qualified fund that  
8 already exists, does that make any difference in terms of  
9 the availability of the funds for the purpose of nuclear  
10 decommissioning?

11 A. We cannot contribute that 272 into the UE  
12 qualified fund because we don't have the correct findings  
13 from this Commission. We have those in Illinois but not in  
14 Missouri.

15 Q. Right. But assume, if you would, for the  
16 purposes of my question that this Commission makes the  
17 requested findings.

18 A. Then we could contribute that money to the  
19 qualified fund.

20 Q. Okay. And from the point of view of the  
21 Missouri ratepayers, does that make any difference?

22 A. We're in a rate freeze. However, sir, I need  
23 to give you a general response in regard to that question.

24 Q. Whatever you need to tell me for me to  
25 understand.



1           A.       All right. This will only take a couple of  
2 minutes. I am prepared to address each condition in Staff's  
3 list of conditions. And I can explain why it's not  
4 necessary, why it doesn't make sense and so on. But it's  
5 not fair and I do not intend to negotiate a transaction on  
6 this -- on the witness stand.

7           Q.       I'm not asking you to. All I want is to hear  
8 your response to the proposed conditions.

9           A.       Yes. And let me, if I could, continue for  
10 another minute or two.

11          Q.       Go ahead.

12          A.       It's -- the entire package for this  
13 transaction that will determine whether AmerenUE proceeds  
14 with this transaction. So, sir, you might ask me about one  
15 condition -- let's just use the 272,000 as an example. And,  
16 sir, yes, I might say we could contribute that to the  
17 qualified plan everything else remaining as it is in our  
18 proposal.

19                   However, if you were to ask me what about  
20 condition two, three and four, my response is going to be, I  
21 don't know because I don't know what the tolerance level is  
22 for the company. I do know that the package that we  
23 presented to this Commission is a significant winner for  
24 Missouri retail as-is without any other conditions. And I  
25 will be able to identify, as we go through these conditions,

1 a couple of conditions that will just stop the transaction  
2 cold in its tracks.

3 Q. And I'd like you to so identify those.

4 A. However, I might add though that if there's  
5 enough of the littler conditions that add up, it may stop  
6 the transaction in its tracks as well.

7 Q. I understand that. And I understand that the  
8 ultimate -- the ultimate decision-making is probably done  
9 back at corporate headquarters and not here. And I'm not  
10 attempting to put you in a position of negotiating the  
11 conditions or the transactions bit-by-bit piecemeal on the  
12 witness stand.

13 However, since Staff has prepared this 15-page  
14 list of conditions, I'd like an opportunity to review them  
15 with you and find out condition by condition whether they're  
16 highly objectionable, kind of objectionable, a great idea,  
17 wish we'd thought of it ourselves first or whatever the  
18 company's reaction might be. Okay? And I think that's a  
19 reasonable thing for this Commission to do since its Staff  
20 has come up with this document.

21 A. I'm happy to do that.

22 Q. Thank you. And that's what we're going to do,  
23 but we're going to do it after lunch.

24 JUDGE THOMPSON: So we'll come back at  
25 one o'clock. And I'm, of course, going by the official

1 computer time keeping that we have here. And it's now 11:55  
2 according to my computer so we'll come back at one o'clock  
3 straight up and you'll be back on the stand and we'll finish  
4 going through this list. Thank you all very much. We are  
5 in recess.

6 (A recess was taken.)

7 JUDGE THOMPSON: And we'll go out of closed  
8 session. I'm sure our viewers in Germany and elsewhere  
9 would be fascinated by this.

10 BY JUDGE THOMPSON:

11 Q. Okay. I was asking you about this first  
12 condition. Have we pretty well covered that?

13 A. I believe we have. Just one clarifying  
14 comment on --

15 Q. Yes, sir.

16 A. -- nuclear decommissioning.

17 Q. Yes, sir. Please.

18 A. I've been informed by counsel -- I laid it out  
19 as three options. Really I think there are only two  
20 practical options. One of the options I talked about was  
21 getting the right determinations from this Commission so we  
22 can make a contribution to our qualified trust. And counsel  
23 has informed me that would involve the whole triennial  
24 review and all that testimony and it would be -- it's not  
25 practical I think to do that now versus waiting for the end

1 of the three-year period.

2 Q. Okay.

3 A. So really I think the choices are two. No  
4 contribution or contribution to the non-qualified trust.

5 Q. And that's because you don't think we can  
6 practically make the necessary findings at this point?

7 A. I don't think Staff will ever agree that we  
8 have the evidence on the record to make those findings.

9 Q. Okay. I'm looking down here through the  
10 wherefore clause of the application. And now I have it on  
11 paper I can wrestle with it even more successfully. I'm  
12 looking at No. C, Ameren requests the Commission to approve  
13 as reasonable and prudent the consideration received by  
14 AmerenUE from AmerenCIPS for the transfer of the assets and  
15 liabilities.

16 And I think that Staff would probably consider  
17 a prudency finding as a rate-making finding. Is a finding  
18 that the consideration is prudent, is that essential from  
19 the point of view of AmerenUE? Now, I don't want to put you  
20 in a position of negotiating the thing. Maybe that's the  
21 wrong question.

22 A. I can respond to that, your Honor.

23 Q. Okay. That would be fine.

24 A. We're not asking for rate-making approval,  
25 rate-making pre-approvals. I think the intent behind that

1 request was clarity around the affiliate rules transactions.

2 Q. Okay.

3 A. So if we got --

4 Q. So it's aimed at the affiliate transaction  
5 rules?

6 A. Primarily, yes.

7 Q. Thank you. Thank you.

8 Because the assets in the Illinois Metro East  
9 area have never been in rate base for Missouri purposes  
10 anyway. Right?

11 A. That's correct.

12 Q. So transferring them or not has no rate-making  
13 effect, does it?

14 A. Minor rate-making effect because of the change  
15 in allocations. And as we'll discuss -- Chairman Gaw asked  
16 us to look at the result on transmission and I would like to  
17 go through that --

18 Q. Okay.

19 A. -- later, if I could.

20 Q. Absolutely.

21 A. But there is a benefit due to those -- how  
22 those allocations work. So it has a minor rate-making  
23 effect.

24 Q. Okay. What about F, Approving the  
25 reallocation of the electric generating capacity of energy

1 associated with the transfer of electric assets? Do you  
2 consider that particular request to have rate-making  
3 implications?

4 A. Yes.

5 Q. Okay.

6 A. I mean, that's the purpose -- the primary  
7 purpose of this whole transaction, that this Commission  
8 agree that that low-cost cheap generation should be  
9 dedicated to Missouri jurisdiction. And, you know, we're  
10 not asking for a prudency finding, but we're asking them to  
11 agree, yes, we want it dedicated.

12 Q. Okay. Then I see K, Confirming that the  
13 decommissioning expenses for the Callaway nuclear power  
14 plant are included in UE's current cost of service and are  
15 reflected in its current rate for rate-making purposes.

16 Let me ask you this question. At the moment  
17 Union Electric is under a rate freeze; isn't that correct?

18 A. Correct.

19 Q. So if this transfer is approved and if the  
20 request in this paragraph K were granted by the Commission,  
21 would that require a rate change --

22 A. No.

23 Q. -- prior to the end of the freeze period?

24 A. My understanding is it would not.

25 Q. Okay. Thank you. Very well.

1                   Okay. Let's take a look at Condition No. 2 in  
2     Staff's list, which pertains to the Joint Dispatch  
3     Agreement. And subparagraph A refers to the amendment of  
4     the JDA. And I think there's been a great deal of  
5     discussion of this already in this case. This is the  
6     amendment so that profits from off-system sales are  
7     allocated based on generation rather than load; is that  
8     correct?

9                   A.     Item 2A1 is, yes, your Honor.

10                  Q.     Okay. What about 2A2?

11                  A.     It's another one. Do you want me to comment  
12     on 2A1 first very briefly?

13                  Q.     Yes, sir, if you would.

14                  A.     Remember that we've already offered to make --  
15     if the Commission requires that condition, we've agreed that  
16     we would make that change or use our best efforts to make  
17     that change.

18                  Q.     That's an offer that you made?

19                  A.     Yes. It's already an offer we've made.

20                  Q.     Right.

21                  A.     And that offer -- you know, if you -- this  
22     might be helpful as we go through this if you could pull  
23     out, your Honor, Exhibits 72, 71 and 73.

24                  Q.     Okay.

25                  A.     Because we do have the revised summary of

1       benefits. And I want to make a comment about the benefits.  
2       Exhibit 72 is the -- well, 71, 72, 73.

3             Q.       Okay. I have those exhibits.

4             A.       And, your Honor, on Exhibit 72 if you would  
5       please look at Item 2B.

6             Q.       Okay.

7             A.       This is the revised summary of benefits. And  
8       if you'll notice in 2B, this change that we're talking about  
9       from load to generation results in a savings per year of  
10       \$7 million if you'll notice on that fourth line. And that's  
11       based on 2002 electric prices.

12            Q.       Okay.

13            A.       If you'll notice in the parens, we've also  
14       projected what we think market prices will be and that's how  
15       we make our business decisions. We think the savings are  
16       actually \$24 million per year.

17            Q.       Based on where you think prices will go?

18            A.       Absolutely. And, in fact, I think prices are  
19       higher now than when we did the study because gas prices  
20       have risen. So the point I'd like to make, your Honor, is  
21       if this transaction does not go forward, the 24 million in  
22       annual savings don't happen.

23            Q.       Let's talk about that 24 million. Given that  
24       there's a rate freeze, how is that passed on to the  
25       ratepayers?



1 A. It's not passed on right now. This is --

2 Q. It would be --

3 A. And, by the way, all of these conditions we  
4 could talk about on that respect because none of these  
5 conditions relate to providing safe and reliable service.  
6 They're all future, speculative rate-making impacts.

7 Q. Okay.

8 A. This one is not so speculative. We've modeled  
9 it. And in the next rate case I would expect to see  
10 something equivalent to that \$24 million passed on to  
11 Missouri ratepayers.

12 Q. Okay. Thank you.

13 If you recall, what is -- and if it's not  
14 confidential, do you recall what the revenue requirement for  
15 UE is at this time?

16 A. No. I know that revenues in excess of  
17 \$2 billion though.

18 Q. Okay. Thank you. So taking a look then at  
19 2A2 --

20 A. That's the recommendation to make energy  
21 transfers between the two companies at market price rather  
22 than incremental cost.

23 Q. Okay.

24 A. And we just had this discussion so I probably  
25 don't need to say this, but rates are frozen, there's no

1       harm to ratepayers right now. Staff raised this same issue  
2       in the complaint case, the complaint case was settled.  
3       They're asking for a second bite at the apple. We're not --  
4       we will not agree to this second condition.

5               Q.       Okay.

6               A.       There's just too much uncertainty. The MISO  
7       day-two market is not here, there's no transparent market  
8       price, we need time to study the other alternatives that  
9       Mr. Voytas recommended. So this is a no transaction.

10              Q.       This is a deal breaker?

11              A.       Yes.

12              Q.       Okay. Very good.

13              A.       Plus, farther down on page 4, sir, they  
14       mention a time for a study of 90 days. And that is just too  
15       short.

16              Q.       Is that part of this 2A2 or is that a separate  
17       condition?

18              A.       I believe it's part of this 2A2.

19              Q.       Okay.

20              A.       And the reason it's -- one reason it's too  
21       short is because MISO day-two does not roll out until  
22       December 1st of 2004. And I'm not sure that we will have an  
23       active hourly market on the first day of roll out. And we  
24       need to understand those rules and we need to see that there  
25       really are hourly market prices before we could complete

1       this study.

2               Q.       Okay.

3               A.       And then further down on paragraph 4 Staff is  
4       asking the Commission to add a condition that UE would  
5       terminate its participation in the JDA. I don't think the  
6       MPSC can impose that condition -- well, it can impose that  
7       condition, but I don't think they can order us and they  
8       should not order us to terminate the JDA.

9                       There are reliability issues at stake such as  
10       outage planning and having units available to serve load.  
11       Plus, this is a FERC jurisdiction issue as well.

12              Q.       Okay. Now, let's take a look at page 5 on  
13       Section 3, liabilities and costs.

14              A.       Sir, I've done a lot of thinking on this one.  
15       If I may, I could -- I think we can shorten the discussion  
16       of this section if you'll bear with me --

17              Q.       Fire away.

18              A.       -- bear with me for two minutes.

19              Q.       Yes, sir.

20              A.       If you'll look on page 5 in Item No. 3 and  
21       then a second full paragraph where it begins, Costs and  
22       liabilities relevant to the questions of potential detriment  
23       from the Metro East transfer fall under the following two  
24       categories.

25              Q.       Okay.

1           A.       And I'd like to go through those four items  
2       that are listed and just give you my opinion on those --

3           Q.       Yes, sir, please do.

4           A.       -- on those potential detriments. First of  
5       all, it says in No. 1, Costs and liabilities formerly  
6       assigned to Illinois retail customers that remain with  
7       AmerenUE.

8                   Let's just think about this for a moment. If  
9       a cost or a liability is in the past tense, if it's already  
10      occurred, if the liability has been booked and it's on the  
11      books and the associated cost has been booked, it just isn't  
12      an issue because we are not in a test year.

13          Q.       Because it's already on the books?

14          A.       It's already on the books. All right. So we  
15      don't even think that's a relevant issue.

16                 Then you go to Item No. 2 and let's just focus  
17      on costs that were allocated between Illinois and Missouri.  
18      Well, again, past tense. If it's a cost that's hit the  
19      books already during a rate freeze period that is not a test  
20      year, it's not an issue.

21                 So then we're left with in Item No. 2,  
22      liabilities that were allocated. And I understand that that  
23      is a potential issue with Staff. And let me address that in  
24      general. I don't think Staff nor the company disagree on  
25      future costs, you know, that are pure T&D or pure

1 generation. Obviously our plan -- and I think Staff  
2 agrees -- is that if it's pure T&D, it's a CIPS cost and if  
3 it's pure generation ongoing operating costs, it's -- it's  
4 that piece that's going to go to Missouri because that  
5 6 percent allocation.

6 As I understand Staff's concern, they're  
7 talking about future liabilities that are mostly generation  
8 related. And they've mentioned 10K liabilities that we've  
9 mentioned that are listed -- and these are contingent  
10 liabilities. They're -- they're liabilities that are  
11 unknown, unmeasurable, speculative and are not certain and  
12 are not booked. They may be there, they may not be.

13 Q. You're talking about possible environmental?

14 A. Possible environmental liabilities.

15 Q. Okay.

16 A. And, again, they are almost all generation.

17 Q. Okay.

18 A. Now, it's possible, yes, that there will be  
19 some of those liabilities. And it's also possible that as  
20 we've made reserves for asbestos or remediation costs, that  
21 even though we've used our best efforts, we've guessed  
22 wrong. And the deal we've put before this Commission is  
23 that future generation costs are -- go with the 6 percent of  
24 the assets that Missouri gets to use. And that's the deal.  
25 And we --

1           Q.     Okay. And that would include future potential  
2     generation-related liabilities?

3           A.     Yes.

4           Q.     Okay. I understand that.

5                     There was also a class of general corporate  
6     liabilities that I remember testimony about. Is that a  
7     separate part of the liabilities here under 3-2?

8           A.     Again, I could go through my same discussion.  
9     If it's already on the books -- and I think most of the  
10    discussion was about liabilities on the books and --

11          Q.     Okay.

12          A.     -- we were talking about a list of liabilities  
13    that have been identified as corporate. Again, if it's on  
14    the books right now, it's already been expensed and it just  
15    doesn't matter for rate-making purposes who gets them.

16                    But what we have tried to produce -- put  
17    together a package that we think makes sense to both  
18    commissions and one that we think is fair. And I can get  
19    into that later, why it's fair. I'm looking at page 5 and  
20    Section 3A --

21          Q.     Okay.

22          A.     -- just to get into some specifics. And it's  
23    very difficult for me to get into specifics because the way  
24    Staff has written this, it doesn't coincide with the  
25    liability section in the Asset Transfer Agreement. Rather

1       than mark that up with things they liked and didn't like,  
2       they've gone into just a general diatribe. Let me just  
3       point out a couple of things that I don't understand.

4               Q.       Very well.

5               A.       For instance, on 3A, one little i --

6               Q.       Okay.

7               A.       -- direct costs and liabilities, to eliminate  
8       the detriment to AmerenUE and its Missouri ratepayers, all  
9       liabilities that relate 100 percent to AmerenUE's Illinois  
10      business.

11                      And I notice that the "b" in business is  
12      small, a small "b." And, you know, it's a defined term in  
13      our Asset Transfer Agreement which means the T&D business.  
14      Now, if they'd talk about 100 percent of liabilities for the  
15      T&D business, we agree in general that's appropriate. If  
16      they --

17              Q.       That's what your agreement provides?

18              A.       Yes. And if they're talking about the  
19      business as it stands right now that includes generation, we  
20      don't agree. So I really don't know -- and then farther  
21      down on that page the last sentence, Any costs or  
22      liabilities arising from events or activities occurring  
23      after the closing that relate to the AmerenUE's Illinois  
24      business.

25                      Again, if they're talking about T&D, we agree.

1 If they're not, if it's not -- if it's generation, we don't.

2 Q. Okay.

3 A. But just to cut to the chase, if I may, sir --  
4 I could go through each one of these, but here's our  
5 position on the Asset Transfer Agreement.

6 Q. Sure.

7 A. We've already -- the agreement -- and I'm  
8 talking about the whole agreement and especially the  
9 liabilities section. It's already been approved by the ICC.  
10 And we don't intend to go back.

11 When we went through this proceeding on the  
12 electric transfer, there was heavy intervention by  
13 industrial Intervenors. Mr. Fitzhenry was on the other side  
14 of the aisle then leading the opposition for the industrial  
15 Intervenors.

16 The position of the Illinois industrial  
17 Intervenors was, Illinois Commission, don't let this cheap  
18 generation be dedicated to Missouri. And essentially we  
19 negotiated a deal with Staff that was acceptable and it's  
20 laid out -- the general terms are laid out in that asset  
21 transfer agreement about which liabilities stay and which  
22 liabilities go. And the cheap generation goes to Missouri  
23 and so do the generation liabilities and that's essentially  
24 the deal we cut.

25 Q. Okay.



1           A.       Staff's position on generation -- future  
2       potential generation expenditures, I'm sorry, is absurd.  
3       And the best example of that is the discussion we had about  
4       2010 capital expenditures related to SO2 and NOx.

5           Q.       Okay.

6           A.       A capital expenditure by its very nature is an  
7       asset. An asset is a cost that provides a future benefit.  
8       So we -- let's say that Ameren -- I'm sorry, UE were to make  
9       this capital expenditure in 2010. The benefit from that  
10      capital expenditure would be provided over a 20-, 30-,  
11      40-year period going forward from 2010. There's no way that  
12      Ameren or CIPS are going to eat that cost when in 2010 that  
13      generation's being used to serve Missouri customers.

14          Q.       Okay.

15          A.       And I might remind you, sir, that on -- if you  
16      look back on Exhibit 72 --

17          Q.       Yes.

18          A.       -- all this future potential remediation  
19      costs, asbestos costs, I think pale in significance to the  
20      24 million a year of savings.

21                 Let me use one example. Let's just say that  
22      we're -- our general counsel and our controller have guessed  
23      completely wrong on asbestos and remediation costs. They've  
24      established a reserve, a liability and they're -- they  
25      missed it by \$50 million a year in future years.

1 Q. Okay.

2 A. We're talking about 6 percent of 50 million,  
3 which is 3 million -- I'm using that 6 percent because if  
4 it's an AmerenUE liability, UE's already got 92 percent of  
5 it. So we're talking about an additional, unknown  
6 remediation cost of say 50 million a year. 6 percent of  
7 that is 3 million a year.

8 That pales in significance to the 24 million a  
9 year in savings we're offering through this amendment  
10 through the JDA. I just can't imagine enough remediation  
11 costs and asbestos costs that 6 percent of those is greater  
12 than the 24 million a year of savings.

13 Q. Okay.

14 A. So this one's a show-stopper on the  
15 liabilities.

16 Q. Okay.

17 A. AmerenCIPS, Ameren are not going to absorb  
18 generation liabilities.

19 Q. And you're speaking about all of what they  
20 have under 3, is that correct, liabilities and costs when  
21 you say it's a show-stopper?

22 A. It's difficult to say because I don't fully  
23 understand what they have. But, in general, I think their  
24 intent is to shift generation liabilities -- future  
25 generation liabilities to CIPS or Ameren and the transaction

1 will not go forward if that happens.

2 Q. Okay.

3 A. One more comment on page 6, sir, if I might.

4 Q. Absolutely.

5 A. In the middle of that last paragraph, Staff  
6 suggests that AmerenUE may also continue this reporting  
7 requirement, and they're talking about tracking savings,  
8 upon a finding by the Commission that the Metro East  
9 transfer has generated savings that equal or exceed the  
10 costs that were allocated.

11 I just might point out that it's a nice intent  
12 that we track generated savings, but, you know, when you  
13 think about what they're asking, savings is money not spent.

14 Q. Right.

15 A. And it's very, very difficult to track  
16 something that doesn't happen. So it would just be an  
17 estimating process and we don't think it's worth the effort.

18 Q. Okay. How about page 7?

19 A. Again, it's -- I could go through this, but I  
20 think it falls under that same caption that a significant  
21 change to that Asset Transfer Agreement liability section to  
22 shift liabilities stops the transaction.

23 Q. Okay. Well, then let's move onto 4, SO2  
24 allowances.

25 A. Comments, sir, from -- let me continue?

1 Q. Just fire away.

2 A. Thank you.

3 I'm a little confused by this one. In the  
4 complaint case Mr. Kind testified we didn't sell enough SO2  
5 allowances. In this case he says, You're selling too much,  
6 UE.

7 And just another editorial comment, we've  
8 spent a long time in this hearing talking about what was  
9 assumed in the least cost analysis for SO2 allowances.  
10 Mr. Voytas testified that 17.8 million of SO2 allowances  
11 reduced cost of service for 2002. And a big deal has been  
12 made of that.

13 And let's just assume for a moment that Ameren  
14 didn't sell any SO2 allowances in 2002 or any future year.  
15 What impact would that have on our cost of service analysis  
16 and our savings? 17.8 times .06 is 1.1 million. And so you  
17 can subtract that 1.1 million from the level of savings  
18 we've identified in our total benefits. And the level of  
19 savings is 2.4 related to the generation, it's 7 from this  
20 fix, 24 million if we're using real prices. It just has a  
21 very minimal effect.

22 Q. Very well.

23 A. Okay. We don't think SO2 allowances are  
24 really an issue in this case. That's our first complaint.  
25 So we don't think a provision is necessary.

1                   And if you look in Item 4, No. 1, Ameren  
2       compensate AmerenUE for any liability due to Ameren's SO2  
3       trading activity. We don't think it's an issue. We don't  
4       think the Commission should do this one.

5                   In Item No. 2, AmerenCIPS contribute -- and if  
6       you skip a few words -- any future cost of SO2 compliance  
7       that results from Ameren's current SO2 sales and trading  
8       activity.

9                   That would be impossible to determine. And  
10      just for the sake of argument, why didn't they suggest a  
11      core area -- I mean, they're suggesting there might be some  
12      detriment and AmerenCIPS should pay for it. What if there's  
13      some benefit from the sale? Should UE compensate CIPS for  
14      that? But anyway, we don't think it's necessary. The  
15      Commission make a condition in the case nor do we think it's  
16      necessary the Commission open a case in this one.

17                  Q.       Okay.

18                  A.       At the bottom of page 8, of course, we don't  
19      think either that AmerenUE -- there should be a condition  
20      that AmerenUE shall not seek cost recovery of 8 percent of  
21      any environmental capital expenditure. And I refer back to  
22      my absurd example by Staff where 2010 capital expenditure to  
23      comply with SO2 requirements at that time for the benefit of  
24      future Missouri customers, Missouri customers ought to pay  
25      for it.

1 Q. Okay. What about 5, identification of assets?

2 A. I think that issue has been resolved.

3 Q. Very good.

4 Item 6?

5 A. The evidence on the record in this case shows  
6 a very small potential impact. And we think there will be  
7 no impact. If you look at the bottom of that paragraph and  
8 No. 6, you'll see that there is the Fisk-Lutesville  
9 discussion in regard to Alton. And they want us to  
10 guarantee -- or a condition imposed that we guarantee the  
11 same discount for Fisk-Lutesville as Alton.

12 What we've already testified is that we will  
13 negotiate these contracts at the same time, same terms and  
14 we expect the same price. But we don't think it makes sense  
15 to guarantee some result in the market. And I might remind  
16 you that we went through the math on that one and absolute  
17 worst case, which we don't think will happen, was 41 cents  
18 per month for each gas customer.

19 Q. I recall that. Very well.

20 A. On the bottom of page 9, there's another  
21 provision that relates to holding electric customers  
22 harmless in regards to gas transportation, supply and  
23 storage as it relates to Venice and Meramec. And, again, on  
24 the worst case analysis, our calculation is that this is  
25 less than 1 cents per month for electric customers worst

1 case, which again, we don't think is going to happen.

2 But my point about Venice is that as we've  
3 talked about in this proceeding, we retired some generation  
4 at Venice, company has planned to add 330 megawatts of  
5 gas-fired peaking units at Venice. The supply arrangement  
6 at Venice is going to change anyway. So it's going to be  
7 impossible to measure this hold-harmless provision that  
8 Staff wants because conditions are changing, terms are  
9 changing. So it's not an apples to apples, it's a different  
10 time period, different market. I don't know how one would  
11 measure that.

12 Q. Okay. What about 7, the affiliate transaction  
13 rules?

14 A. We did ask for a waiver. And if the  
15 Commission thinks we needs a waiver, we'd sure like one. We  
16 don't like the provision on the second and third lines of  
17 that section that says, If all of these conditions are  
18 directed by the Commission. So I guess Staff is saying a  
19 waiver is okay if you agree to all the other conditions.

20 Q. Okay. How about the nuclear decommissioning  
21 fund? I know we spoke about that already to a certain  
22 extent. Do you have anything else to say about that?

23 A. No, sir.

24 Q. Okay. Transmission on page 12?

25 A. Yes, sir. Dr. Proctor said that it would be

1 hard for him to form a judgment about whether there was a  
2 detriment without knowing the impact on transmission. And  
3 Chairman Gaw requested we do that analysis and we did that.  
4 It's contained in Exhibit 71. And I think I can explain  
5 this very, very quickly.

6 Q. Absolutely.

7 A. And this -- Dr. Proctor was right. He guessed  
8 there would be a small impact and it likely would be --  
9 could likely be positive. And that's the case.

10 Two things are happening with transmission.  
11 Transmission rate base for AmerenUE is changing. It's going  
12 down. So we've factored in that impact. And there's an  
13 allocation -- there's two things happening with -- the  
14 Illinois transmission plant is transferring to CIPS, but  
15 then there's also an allocation process.

16 And if you factor those two things in, there's  
17 a net decrease in AmerenUE's Missouri transmission rate  
18 base. There's an associated decrease in O&M expenses  
19 related to the Missouri portion of transmission. And as  
20 Mr. Weiss explains on page 2 of 3, that's a net reduction in  
21 revenue requirements of 4,879,000. So reduction in  
22 transmission rate base for Missouri and reduction in O&M for  
23 Missouri is 4.9 million.

24 And then Dr. Proctor talked about his concern  
25 with transmission revenues. And I'm talking about



1 third-party transmission revenues that are paid to Ameren  
2 and then they're allocated. And those did go down. So --  
3 and that's a -- there's less revenue.

4 So we've taken into account on page 1 of that  
5 summary that the decrease in rate base and cost of service  
6 is a 4.9 benefit, the decrease in these third-party  
7 transmission revenues that are allocated to Missouri is  
8 4.5 million. So the net benefit to Missouri customers is  
9 .4 million.

10 I might point out again, as Ameren typically  
11 does, if you go to page 3 of 3 -- I'm sorry, it's  
12 demonstrated on page 1 of 3.

13 Dr. Proctor also testified that after Ameren  
14 joins the MISO, those third-party transmission revenues will  
15 decrease. And we agree they will. If you'll notice in the  
16 top of page 1 of 3, the decrease in transmission revenues  
17 allocated to Missouri is 4.5 million.

18 A conservative estimate on what the decrease  
19 will be is to take it down to about 3.4 million. We're  
20 assuming about 25 percent of those allocated revenues go  
21 away. So we really think net-net, the benefit to Missouri  
22 retail is 1.5 million, but the number that I rolled forward  
23 into the revised Exhibit 72 is simply the .4 million --

24 Q. Okay.

25 A. -- for sake of conservatism. Plus, it's

1 consistent with what Mr. Voytas did because he looked at  
2 2002 numbers and it's a number that's already there.

3 So if you would look then, sir, on Exhibit 72,  
4 this is the revised summary of benefits, you'll see that I  
5 added Section 2C. And I tried to put into words in that  
6 paragraph what Exhibit 71 says, that revenue requirements  
7 are reduced by 4.9, it's offset by less of this third-party  
8 transmission revenue, net benefit of .4.

9 Q. I see that.

10 A. Down at paragraph D, I've simply added the .4  
11 to the total benefits.

12 Q. Okay.

13 A. And then we've recalculated the net present  
14 value to include the stream of .4 million a year. So the  
15 net present value for this transaction for Missouri retail  
16 is 94 million if you use today's electric prices. If you  
17 use our projection of what we think they'll be, it's 255  
18 million.

19 MR. LOWERY: Your Honor, we had previously  
20 marked Exhibit 71, 72 and 73 yesterday that we had provided  
21 in response to Commissioner Gaw's request. And Mr. Nelson  
22 has described in some detail those documents. I think it  
23 would be helpful if those were in the record and I would  
24 offer those at this time into the record.

25 JUDGE THOMPSON: Okay. 71, 72, 73, any

1 objections?

2 MR. MICHEEL: Your Honor, as we said, we just  
3 got that at the start of the hearing on Wednesday and we've  
4 been in the hearing all day since then and we haven't had a  
5 chance to look at those.

6 JUDGE THOMPSON: I'll let you file whatever  
7 you want in response.

8 Mr. Dottheim, any objections?

9 MR. DOTTHEIM: The Staff has started reviewing  
10 the documents and we have any number of questions. As long  
11 as the Staff is afforded an opportunity to respond in some  
12 fashion, Staff has no objection.

13 JUDGE THOMPSON: Staff, again, just like  
14 Public Counsel, may file whatever they want in response.

15 With that understood, Exhibits 71, 72 and 73  
16 are received and made a part of the record of this  
17 proceeding.

18 (Exhibit Nos. 71, 72 and 73 were received into  
19 evidence.)

20 BY JUDGE THOMPSON:

21 Q. Please continue. Are you done with page 12?

22 A. No, sir. That was just a long-winded response  
23 to the second line in No. 9 where it said, Staff wanted  
24 AmerenUE to perform a study. And we have done that study  
25 and there's a net benefit.

1 Q. Okay.

2 A. And then further down in that paragraph Staff  
3 wants a condition that AmerenUE Missouri would be held  
4 harmless from any further changes in methodology and so on.  
5 We don't think that's necessary. The allocation issues for  
6 transmission are greatly reduced now that all the Illinois  
7 transmission's in CIPS and all of it's in Missouri. So we  
8 don't think it's necessary.

9 Q. Okay.

10 A. In the next paragraph on page 12, Staff is  
11 concerned about the split, the single control area. And  
12 that's the reason for most of that next paragraph.

13 Remember that we've testified there is no  
14 intention to split from a single control area. In fact, our  
15 strategic plan shows that we want to operate as one control  
16 area. And then I would remind this Commission that even if  
17 AmerenUE were to split the control areas from AmerenCIPS and  
18 even if AmerenUE would depart from the MISO, we don't think  
19 FERC would ever allow a pancaked transmission rate in that  
20 departure. It's -- it's a worry about nothing.

21 So, again, we don't think the condition is  
22 necessary. One has to assume that FERC -- that three things  
23 will happen that we don't think are going to happen.

24 Q. Okay.

25 A. And especially the FERC one is not going to

1       happen.

2                   On page 13, sir, one, two, three -- the fourth  
3       line down there's a sentence that says, AmerenUE plans to  
4       replace the capacity currently provided from its contract at  
5       the Joppa plant with an additional 330 megawatts of capacity  
6       to be located at Venice when the AmerenUE contract for a  
7       portion of the Joppa purchased power expires on 12/31/05.

8                   And that statement is just not true. We've --  
9       we've been through I don't know how many resource planning  
10      sessions with Staff, plus we've filed the required  
11      notification letter with this Commission explaining that we  
12      retired plant at Venice and we're replacing with 330  
13      megawatts. It's tied to the retirement of those facilities.  
14      It's not tied to Joppa.

15                  And the reason I bring that up is because that  
16      Joppa theme is weaved into the next two paragraphs, so we're  
17      starting with a faulty premise. And the next sentence, They  
18      want to ensure that certain facilities shall remain network  
19      resources. And, again, I think that's tied back to the  
20      speculative concern that we're going to leave the one  
21      control area and leave the MISO. Again, it's not necessary.

22                  And then I'm confused in that same paragraph,  
23      the last sentence where they want us to ensure that  
24      480 megawatts at Venice remain as a network resource. And,  
25      again, I think they're tying that to Joppa. Well, they are.

1 And, your Honor, we've only got 75 megawatts at Venice and  
2 we're adding 330 so that's 405. So I don't know why the  
3 Commission would impose a condition of 480 when we only have  
4 405.

5 Plus, I'm confused because Dr. Proctor in his  
6 testimony in this case -- and let me paraphrase -- said the  
7 Metro East transfer and the EEInc decision are not dependent  
8 on each other and EEInc should not be a condition to the  
9 transfer. And yet Staff has listed EEInc as a condition, so  
10 I wish Staff would make up their mind.

11 Q. And I think you indicated that the power from  
12 Joppa is base load --

13 A. Yes.

14 Q. -- low cost coal-fired plant?

15 A. Yes, it is.

16 Q. And that's not at all comparable to the output  
17 of gas-driven peaking units, is it?

18 A. Only in that there's that much capacity there,  
19 but the costs of operation surely differ and when they would  
20 be used surely differs.

21 Q. Right. You would use those in entirely  
22 different circumstances?

23 A. Yes, sir.

24 Q. Please proceed.

25 A. On the top portion of page 14, Staff has asked

1 the Commission to open a case in regard to AmerenUE and  
2 EEInc and the Joppa plant. We don't think it's necessary.  
3 We think we've gone through a full-blown discussion of that  
4 in this case and it's not necessary.

5 Q. Okay. How about Item 10 here?

6 A. Item 10, again, you won't be surprised to hear  
7 me say it's not necessary. This new request is not in any  
8 testimony of Staff, plus it's unfair. Staff is asking that  
9 this Commission go beyond the affiliate rules. And they're  
10 asking AmerenUE to be subject to a condition, a standard  
11 that no other Missouri utility is subject to. And we don't  
12 get it. We don't know why.

13 Q. Okay. Does that conclude your remarks?

14 A. I guess I could make a couple of other general  
15 statements. Again, these supposed detriments that these  
16 conditions are supposed to address are rate-making --  
17 potential future speculative rate-making detriments. They  
18 don't relate to reliability and safely serving customers.

19 We're in a rate freeze, the condition can  
20 address every one of these rate-making issues in the future.  
21 And Staff is almost implying with this list of conditions  
22 that the Commission cannot or will not be able to do its  
23 job, or possibly it's implying that it doesn't want to do  
24 its job, Staff's job, in the next rate case. I don't know  
25 which, maybe both.

1           Q.       So, in other words, what you're saying is that  
2       when the next rate case after the freeze comes up, if some  
3       of these -- if there's been an impact from the transfer that  
4       has a tendency to raise rates, that Staff will have an  
5       opportunity to argue then that this was imprudent, for  
6       example?

7           A.       Staff will have an opportunity -- as the  
8       Commission I'm sure will -- will order, will have a  
9       paragraph that this is not a rate-making determination as  
10      usual. So Staff will have every opportunity to broach any  
11      subject it wants.

12                   JUDGE THOMPSON: Thank you for your remarks.

13                   I indicated that we would give Staff and  
14      Public Counsel an opportunity at cross-examination. Now, I  
15      know that in covering these conditions, we've essentially in  
16      an hour gone through the whole case. So, please, don't  
17      repeat all the cross-examination you've already done. Okay?

18                   Mr. Dottheim?

19                   MR. DOTTHEIM: Judge, I mean, frankly, so --  
20      well, I don't know whether Public Counsel is inclined to  
21      proceed with cross. I think we are concerned at this point  
22      in attempting to do that just off of Mr. Nelson's comments.  
23      Maybe there's another means by which we can address the  
24      comments.

25                   Also, too, we still have the open matter of



1 Exhibits 71, 72 and 73 from the perspective that there was  
2 no cross-examination regarding those documents and it's  
3 being left to the parties to respond to them in some  
4 fashion.

5 JUDGE THOMPSON: Well, let me respond to that  
6 in a couple different ways. First of all, as I indicated,  
7 you can file whatever you want in response to those  
8 exhibits. And so I think -- I think by leaving the record  
9 open for that, that we would cure any problem you might have  
10 of not having ample opportunity to the review them, confer  
11 with your subject matter experts and the like. And, of  
12 course, if they do file something, Union Electric, you get  
13 10 days to file a reply so you're not out of the loop  
14 either.

15 At some point the hearing on this application  
16 has to end and the Commission has to start trying to digest  
17 mountains of paper and many hours of testimony and  
18 cross-examination and understand the issues and then make a  
19 decision. And I know that all of you want us to get to that  
20 point where that starts.

21 And then, finally, with respect to  
22 cross-examination based on Mr. Nelson's live comments here,  
23 that's what most lawyers do trying cases in a civil venue,  
24 hear the testimony, you write out your questions and then  
25 you get up and you cross. In most cases you don't have the

1 luxury of pre-filed testimony where you can prepare your  
2 questions well in advance.

3 So I'll give you -- as I said, I'll give you  
4 an opportunity to ask cross-examination now, to  
5 cross-examine Mr. Nelson on the basis of his comments. If  
6 you choose not to, you can certainly, as I said, file  
7 whatever you want. I'm leaving the record open for you to  
8 do that. Have at it or pass as you see fit.

9 MR. LOWERY: Your Honor, just a point of  
10 clarification, the leave that you've given to file whatever  
11 they want related to the three exhibits that were  
12 recently -- that you just admitted. Correct? I mean,  
13 obviously when briefing's done in this case, any of us can  
14 say whatever we want about the case, but --

15 JUDGE THOMPSON: You're right. There's yet  
16 another opportunity to respond. So I think you'll have  
17 ample opportunity to say whatever you want to say about what  
18 Mr. Nelson has commented on the conditions.

19 MS. SHEMWELL: Judge --

20 JUDGE THOMPSON: Lera? Excuse me,  
21 Ms. Shemwell.

22 MS. SHEMWELL: Suit yourself, Judge.

23 JUDGE THOMPSON: Cross?

24 MS. SHEMWELL: Actually, I'd like to clarify.  
25 In 3A small i that we are talking capital "B" Business.

1 JUDGE THOMPSON: You did mean capital "B"  
2 Business?

3 MS. SHEMWELL: We mean Business.

4 JUDGE THOMPSON: I've been aware that Staff  
5 meant business all through this proceeding.

6 MS. SHEMWELL: Thank you.

7 JUDGE THOMPSON: So when you use the phrase  
8 "AmerenUE's Illinois Business," that should be large "B"  
9 Business?

10 MS. SHEMWELL: That means I believe -- yes,  
11 sir.

12 JUDGE THOMPSON: And you are using it as  
13 defined in the Asset Transfer Agreement?

14 MS. SHEMWELL: That is correct. And I believe  
15 the capital "B" then follows through the rest of it. So it  
16 was just an error in not making these capital.

17 BY JUDGE THOMPSON:

18 Q. Okay. Would that change any of your comments?

19 A. Slightly. It makes me more comfortable with  
20 Staff's sentence, but then as we go to the Asset Transfer  
21 Agreement and I look at 100 percent of AmerenUE's Illinois  
22 Business, we have clarified in particular which liabilities  
23 and which ones don't transfer. And there are a couple of  
24 exceptions, for instance, the ongoing litigation, they  
25 don't. And so no, we're not agreeing to change that.

1 Q. And that's all spelled out in that?

2 A. It's spelled out item by item. So I think  
3 they're asking for more than we offered even with that  
4 change, although it's somewhat more comfortable.

5 JUDGE THOMPSON: Okay. Anything else,  
6 Ms. Shemwell?

7 MS. SHEMWELL: On the access to books and  
8 records, Mr. Nelson --

9 MR. DOTTHEIM: Judge, could we ask for a  
10 15-minute recess? And I think we will have some cross at  
11 that point.

12 JUDGE THOMPSON: Absolutely. Is 15 minutes  
13 going to be enough?

14 MR. DOTTHEIM: Half an hour?

15 JUDGE THOMPSON: Let's take a half an hour. I  
16 would just say we are going to be done with Mr. Nelson  
17 today. We are going to be done with him today. I know  
18 you're happy to hear that. We'll be recessed for half an  
19 hour.

20 (A recess was taken.)

21 JUDGE THOMPSON: Okay. We'll go back on the  
22 record. Mr. Nelson, I'll remind you you're still under  
23 oath.

24 Here comes Mr. Dottheim. Do you have some  
25 cross for us?

1 MR. DOTTHEIM: Yes.

2 JUDGE THOMPSON: Step on up and fire away.

3 MR. DOTTHEIM: Ms. Shemwell has a question or  
4 two herself, but I'll start off.

5 JUDGE THOMPSON: Normally we don't let  
6 multiple attorneys for a single item --

7 MR. DOTTHEIM: All right. I'm sorry. We  
8 can --

9 JUDGE THOMPSON: I realize this is only  
10 administrative law, but we try to observe some of the  
11 formalities.

12 CROSS-EXAMINATION BY MR. DOTTHEIM:

13 Q. Good afternoon again.

14 A. Good afternoon, Mr. Dottheim.

15 Q. Mr. Nelson, on decommissioning I believe you  
16 were referring to certain language that AmerenUE was looking  
17 for in a Commission order. And I think you indicated that  
18 it was needed in particular for AmerenUE to be able to pay  
19 the decommissioning funds into a tax qualified trust.

20 And I don't know that you, in particular,  
21 mentioned this language, but to your knowledge, is the  
22 language that the Commission confirms that the economic and  
23 financial input parameters used in the zone of  
24 reasonableness analysis contained in the Direct Testimony of  
25 Kevin L. Redhage continues to be valid and acceptable to the

1 Commission?

2 A. I hesitate to answer. I don't think that is  
3 sufficient to contribute the additional 272,000 into an tax  
4 qualified fund. I think it takes the full-blown review that  
5 it usually has.

6 Q. Okay. Do you know whether language of that  
7 nature appears in Commission orders that have been issued as  
8 a result of the triennial filings of AmerenUE respecting its  
9 decommissioning cost studies?

10 A. I'm not certain. I heard Mr. Redhage's  
11 testimony and that exchange, but that's as much as I know.

12 Q. Do you know whether AmerenUE has ever in the  
13 past been in a situation where it did not have an IRS letter  
14 ruling and, as a consequence, could not pay the quarterly  
15 decommissioning funds into the AmerenUE decommissioning  
16 trust?

17 A. No.

18 Q. You're not aware of that item being an issue  
19 in the third year of the first experimental alternative  
20 regulation plan of Union Electric Company?

21 A. Correct.

22 Q. Okay. And when you say "correct," meaning  
23 you're not aware of whether that was an issue --

24 A. Correct.

25 Q. -- in that situation?

1 I'd like to direct you to the Joint  
2 Dispatch --

3 A. Mr. Dottheim, could I indulge with one thing.  
4 There was a clarification on that nuclear decommissioning  
5 from earlier discussion --

6 Q. Yes, sir.

7 A. -- if I may.

8 Q. Please.

9 A. As I look at page 13 of Mr. Redhage's  
10 Surrebuttal Testimony, those items that I discussed with  
11 Judge Thompson pertain more to the reallocation of the  
12 Illinois piece of that qualified fund of the Missouri side  
13 rather than the qualified contribution of the 272.

14 So I think the gist of what Mr. Redhage is  
15 saying on page 13 is we need these certain findings in order  
16 to reallocate from the Illinois side to the Missouri side.  
17 And I don't think I said that properly. So thank you, sir.

18 Q. Certainly.

19 I'd like to refer you to the Joint Dispatch  
20 Agreement conditions that are page 3 and 4. And I think I  
21 may have understood that you indicated that the second  
22 paragraph, which is on page 4, that addresses about the  
23 parties using their best efforts for a 90-day period  
24 following the close of Metro East transfer to develop a  
25 further modified JDA, I thought maybe you were indicating

1       that that was part of one of the conditions in the preceding  
2       paragraph dealing with the transfer pricing issue.

3                       Do you know whether the conditions that the  
4       Staff has set out, whether there are three parts to those  
5       conditions, one addressing a reallocation of the profits  
6       from the JDA from the basis of load to generation, to a  
7       second part dealing with the transfer pricing respecting the  
8       power -- the energy from AmerenUE which would now go to  
9       serve the former AmerenUE Illinois customers, and then a  
10      third issue dealing with remaining issues respecting the  
11      JDA?

12                    A.       I did not fully understand that distinction.  
13      I thought the 90-day period was related solely to the  
14      market -- transfer at market price issue, although my  
15      comments would be the same now that I know that the 90-day  
16      effort is broader than just the market price issue.

17                    Q.       Okay.

18                    A.       We need more than 90 days to figure out what's  
19      fair and study alternatives.

20                    Q.       And are you aware, do you know whether there  
21      are, in essence, two market price issues, one dealing with  
22      the energy being used to serve the former AmerenUE Illinois  
23      customers and then a market price issue, a transfer price  
24      issue dealing with all other transactions with AEM, AEG?

25                    A.       I'm aware that Staff has categorized it in



1       those two pieces, but I don't agree.

2               Q.       Okay. The 90-day period which you indicated  
3       was inadequate, I think in your testimony -- your  
4       Surrebuttal Testimony, you indicate the possibility of the  
5       Staff and AmerenUE working collaboratively together in the  
6       future respecting the JDA, but the time frame that I think  
7       you indicated had an end date around the termination of the  
8       pending rate moratorium; is that correct?

9               A.       In my Surrebuttal I don't think I did specify  
10       a date. I think you're confusing that with settlement  
11       discussions.

12              Q.       Is there a period other than 90 days that the  
13       company might consider?

14              A.       I think we need -- as I said in response to  
15       Judge Thompson's questions, that we need until at least  
16       after the MISO roll out on 12/1/04. And a day after is not  
17       enough. I would think several months after would be needed  
18       to see whether there really is an hourly market in the MISO  
19       and whether that price could be used as a proxy.

20              Q.       On any number of the Staff conditions I think  
21       you indicated that AmerenUE views the conditions as not  
22       being necessary; is that correct?

23              A.       Yes, sir.

24              Q.       If AmerenUE views the conditions as not being  
25       necessary, then isn't there a minimum cost to providing

1       assurances respecting what the conditions are designed to  
2       address?

3               A.       Some there might be, some there might be a  
4       major cost. For instance, the ones that deal with trying to  
5       prove whether the level of benefits exceeds level of  
6       existing cost or liability could be a major, major effort by  
7       company and Staff and never, ever come up with anything  
8       definitive.

9               Q.       If I could next direct you to the transmission  
10       area, which starts on page 12 of the Staff's list of  
11       conditions. I believe you indicated that you don't think  
12       that any of the AmerenUE transmission facilities in Illinois  
13       are in the rate base of AmerenUE Missouri. Did I understand  
14       your comment correctly?

15              A.       You didn't fully understand, no. I -- what  
16       I've testified is that transmission plant in Illinois is  
17       Illinois jurisdiction in that it's the Illinois Commerce  
18       Commission that approves the certification of that plant.  
19       Transmission plant in Illinois is also a subject of FERC  
20       jurisdiction in that FERC approves third-party transmission  
21       rates.

22                      And then, as we've discussed in this  
23       proceeding and as Mr. Weiss has offered testimony in  
24       Exhibit 71, there is an allocation process that this  
25       Commission uses to allocate transmission plant between

1 Missouri and Illinois. And at the request of Chairman Gaw,  
2 we've done that study and the reallocation due to this  
3 transfer provides a net benefit to UE Missouri ratepayers.

4 Q. Are transmission facilities in Illinois that  
5 are owned by AmerenUE power pole resources? Are they  
6 classified as power pole resources, do you know?

7 MR. LOWERY: Objection. I think that goes  
8 beyond any cross-examination regarding the transmission  
9 condition that came from the Bench.

10 JUDGE THOMPSON: I'm going to overrule the  
11 objection.

12 If you know the answer, please answer.

13 THE WITNESS: I don't understand the question,  
14 your Honor.

15 JUDGE THOMPSON: Very well. Could you  
16 rephrase?

17 BY MR. DOTTHEIM:

18 Q. Well, again, if I'm understanding you  
19 correctly now, that there are AmerenUE transmission  
20 facilities in Illinois that are allocated to the Missouri  
21 jurisdiction and are in rate base?

22 A. I don't think I would agree with how you  
23 characterized it. The transmission piece of property that's  
24 in Illinois is in Illinois. It's Illinois property.  
25 However, the overall transmission plant owned by UE for

1 rate-making purposes is an allocation effort. So I don't  
2 know if you can specifically pinpoint any one particular  
3 piece of property to a rate-making jurisdiction. It's just  
4 a percent of the total.

5 Q. And when you say "allocated," then a portion  
6 of that facility is allocated to Missouri?

7 A. And a portion of Missouri is allocated to  
8 Illinois. But, again, you can't specifically trace any  
9 item. It's just a rate-making methodology.

10 Q. Are assignments rather than allocations also  
11 made?

12 A. Yes. And, in fact, that's what will happen,  
13 assuming the Commission actually allows this transfer. The  
14 transmission plant in Illinois -- there won't be an  
15 allocation process for that because it will be in CIPS and  
16 it will be the specific plants in Illinois that's in CIPS.  
17 There won't be a need to allocate for Missouri purposes.

18 Q. I'd like to direct you next to liabilities and  
19 costs, which starts on page 5. And is it your understanding  
20 under 3A small i that the Staff is only asking that  
21 liabilities that relate 100 percent to Illinois be  
22 transferred?

23 A. All I can do is read. My understanding of  
24 that sentence, All liabilities that relate 100 percent to  
25 AmerenUE's Illinois Business, with a big "B," should be

1 transferred to CIPS effective at closing. And I'm sorry.

2 Again, your question was what does that mean?

3 Q. Is it your understanding that the Staff is  
4 asking in 3A small i that liabilities that relate  
5 100 percent to Illinois be transferred?

6 A. That's what I think they're asking, yes.

7 Q. And I'd like to direct you to 3Bi. Is it your  
8 understanding that Staff is asking that Ameren keep track of  
9 liabilities until it can be shown that benefits exceed  
10 detriments?

11 A. That's my general understanding of that. As I  
12 expressed to Judge Thompson, my concern is to keep track of  
13 benefits when there's a savings. By definition, a savings  
14 is not spending money and it's very hard or impossible to  
15 track money not spent.

16 Q. Okay. And is the Staff asking that Ameren  
17 keep track of liabilities until it can be shown that  
18 benefits exceed detriments if AmerenUE is not willing to  
19 transfer the detriments?

20 A. I think that's a paraphrase of what Staff is  
21 saying.

22 Q. Okay. Do you know whether Illinois Power is  
23 in a rate freeze?

24 A. Yes, it is. On the electric side of the  
25 business and with regards to electric bundled rates.

1           Q.       Who should bear the risk of Ameren's  
2       projection that benefits outweigh detriment?

3           A.       In our opinion, Missouri retail customers  
4       receiving a substantial benefit. And I've quantified that  
5       as amounting to anywhere between net present value of  
6       94 million and 255 million. Because of that substantial  
7       benefit, we think Missouri retail should bear the associated  
8       liabilities along with that generation that we've  
9       specifically identified in our Asset Transfer Agreement. I  
10      think it's fair, proper -- more than fair. There's a net,  
11      net, net benefit.

12          Q.       In regard to the natural gas issues that  
13      appear on pages 9 and 10, I think you've commented that the  
14      provisions suggested by the Staff are unnecessary?

15          A.       Yes, sir.

16          Q.       Is AmerenUE willing to provide a guarantee  
17      that the Fisk-Lutesville will not have higher rates?

18          A.       Again, I'll repeat what I said to Judge  
19      Thompson. We don't think this is at all necessary. We  
20      think there is very -- the financial impact is very small.

21                  And if you put to me a hypothetical that the  
22      Commission would agree with the entire transaction as  
23      proposed but for this one thing, I don't know the answer.  
24      The company may go along with it. But then if you put to me  
25      another hypothetical that this condition plus another

1 condition, again, I'm going to have to say eventually Ameren  
2 will reach its choking point and this transaction will not  
3 happen and these benefits that we think Missouri retail can  
4 achieve through this transaction will not happen.

5 Q. Can you put a probability on the  
6 Fisk-Lutesville customers not paying higher rates?

7 A. No. We think it's highly unlikely. I think  
8 that was the assessment that I made as I listened to  
9 Mr. Massmann and his testimony. He thinks it's highly  
10 likely we'll get the same deal that Alton will get. Since  
11 it's the same people going out in the market at the same  
12 time and using Ameren's combined marketing power, most  
13 likely they're going to get the same benefit.

14 Q. Mr. Nelson, who should bear the risk if you're  
15 wrong?

16 A. In any resource planning decision the company  
17 and the Commission have to project into the future and  
18 decide what's the best course of action to serve retail  
19 load. And they take reliability considerations,  
20 transmission considerations, least cost considerations into  
21 their analysis.

22 And -- and we do our best and I think the  
23 Commission does its best to make the right decision. Once  
24 that decision is made, I think the results of that decision  
25 should be born by ratepayers.

1 MR. DOTTHEIM: If I might have a minute,  
2 please.

3 JUDGE THOMPSON: All right.

4 BY MR. DOTTHEIM:

5 Q. Now, Mr. Nelson, I'd like to return to the  
6 transmission area and, in particular, the Joppa contract.  
7 If AmerenUE were to maintain the Joppa contract, does  
8 AmerenUE need to build 330 megawatts?

9 A. You're going to have to give me more facts  
10 with that -- for that hypothetical.

11 Q. You couldn't answer it just on that factual  
12 situation as far as if the Joppa contract for I believe it's  
13 405 megawatts were to continue, would there be the need for  
14 the 330 additional megawatts at the Venice generating  
15 station?

16 A. I can't answer that in isolation. As I  
17 responded to Judge Thompson's questions yesterday about  
18 resource plans, you know, if supply contract's rolling off  
19 and right now we have three major initiatives to add  
20 capacity to UE to meet resource planning needs. And I don't  
21 know which of those three you're assuming go forward or  
22 don't go forward in order to answer that question.

23 Q. One moment, please.

24 If you would assume that the transfer is  
25 approved, does that provide you any additional information



1 that you could then answer the question?

2 A. And your question was will we need to put  
3 330 megawatts in?

4 Q. Yes.

5 A. Yes, we would need to.

6 Q. And, again, that's if the Commission approves  
7 the Metro East transfer and the Joppa contract for  
8 405 megawatts continues beyond its present expiration date?

9 A. Let me help you with the hypothetical then.  
10 And we do the transfer of the peakers from our GENCO to the  
11 UE?

12 Q. Yes. And you're referring to Pinckneyville  
13 and Kinmundy?

14 A. Yes, sir.

15 Q. Yes.

16 A. So let me just review the facts. The Metro  
17 East transfer happens, so UE gets 600 megawatts. The  
18 transfer of the peaker happens, we get 550 megawatts. And  
19 then you're asking me if Joppa were to continue, would we  
20 need to build 330 megawatts at Venice?

21 Q. Yes.

22 A. The answer to that specific hypothetical is  
23 no, looking through 2006. The summation of those three that  
24 we've just listed would be sufficient through 2006.

25 Q. The transmission issues that the --

1           A.       I'm sorry. With one exception. There are  
2       transmission reliability issues at the Venice station and I  
3       am not completely up to speed with our transmission planners  
4       about whether there are voltage concerns at Venice or  
5       whether there are not. I know that's been an issue in the  
6       past and that's one reason we've wanted generation at the  
7       Venice site for voltage support.

8                    Again, I don't know whether -- how much or --  
9       how much or when we need generation at Venice to handle that  
10      reliability issue. So we'd have to put that into the  
11      assumption too, ignoring the reliability issue.

12           Q.       Your understanding of the transmission issues  
13      raised by the Staff, is it your understanding they are  
14      transmission issues or generation issues?

15           A.       My understanding of the Staff's position is  
16      that they want to be held harmless assuming three events  
17      occur. One event is that CIPS and UE would no longer be  
18      part of the same control area. The second event would be  
19      that UE would withdraw from the MISO, CIPS would stay in the  
20      MISO.

21                    And the third concern is that there would be  
22      some transmission rate imposed where UE, not out of the  
23      MISO, has to pay a transmission charge to get power from  
24      generating plants it owns in Illinois. So I think it's  
25      those three things that would have to happen for Staff's

1 concern to be valid.

2 Q. If I could refer you to Exhibit 72, which you  
3 referred to earlier, the 2B Joint Dispatch Agreement. And  
4 you made reference to the projected benefit of \$24 million  
5 per year. Can you assign a probability to the benefit  
6 actually being in the range of \$24 million per year?

7 A. Yeah. If we did -- no, I can't give a  
8 specific probability. I can give you a range. We spent a  
9 lot of time and money and staff effort to develop a forward  
10 price curve. And we look at a range of options and a range  
11 of sensitivities that could happen in the future and through  
12 several mathematical means we come at an expected forward  
13 electric price. So there's a lot of analysis that goes into  
14 that. And as I said earlier, that's our best bet what we  
15 think is most likely.

16 Now, will those prices be exactly that?  
17 Probably not. But will they be in that range? We think so.  
18 In fact, we make our business decisions on whether to buy or  
19 build, whether to invest in plant and so on based on that  
20 forward-price curve. So it's the best thing we have and we  
21 think it's the most likely of the two numbers, the 24 versus  
22 the 7.

23 MR. DOTTHEIM: Thank you again for your  
24 patience, Mr. Nelson.

25 JUDGE THOMPSON: Thank you, Mr. Dottheim.

1 Mr. Micheel?

2 MR. MICHEEL: No questions.

3 JUDGE THOMPSON: Redirect?

4 MR. LOWERY: No questions, your Honor.

5 JUDGE THOMPSON: Thank you. Mr. Nelson, we're

6 done with you. Step down, go home.

7 THE WITNESS: Excused?

8 JUDGE THOMPSON: You're excused.

9 THE WITNESS: Thank you, sir.

10 JUDGE THOMPSON: You are excused.

11 Now, let's pick up with the regular witness

12 list. You thought we were going to stop for the day, didn't

13 you?

14 MR. LOWERY: No, we didn't.

15 JUDGE THOMPSON: Good. Because we're not.

16 Mr. Weiss.

17 Go ahead and take your seat, Mr. Weiss. I'll

18 remind you you're still under oath.

19 THE WITNESS: Yes, sir.

20 JUDGE THOMPSON: I guess, Mr. Dottheim, the

21 ball's in your court.

22 MR. DOTTHEIM: Judge, if I could just ask a

23 housekeeping matter first.

24 JUDGE THOMPSON: Sure.

25 MR. DOTTHEIM: We've had some limited

1 opportunity to review Exhibits 71, 72 and 73 and we have  
2 questions.

3 JUDGE THOMPSON: Okay.

4 MR. DOTTHEIM: And I don't know -- I mean, we  
5 could ask -- I could ask the questions of Mr. Weiss if he's  
6 the appropriate person in that regards or we could attempt  
7 to handle that in some other manner.

8 But in doing so, if we would ask questions at  
9 this point on the record from 71, 72 and 73 and Mr. Weiss's  
10 work papers, we wouldn't want to give an indication that we  
11 were foregoing our opportunity to address those three  
12 documents once we have a better understanding of them.

13 JUDGE THOMPSON: That's understood. I think  
14 it's fair we could ask Union Electric to indicate who the  
15 best witness on each of these would be.

16 MR. LOWERY: Your Honor, with respect to  
17 Exhibit 71, there's no question, Mr. Weiss. He prepared the  
18 analysis. 72 is the summary of benefits, which Mr. Nelson  
19 was the best person I think questions -- he was available to  
20 have questions asked.

21 JUDGE THOMPSON: I'm afraid you've had your  
22 shot at Mr. Nelson.

23 MR. LOWERY: And Exhibit 73 is identical to --  
24 I can't remember the schedule, I put this in the record  
25 yesterday, to a schedule Mr. Voytas had done with one

1 exception and he plugged in the .4 million dollar number  
2 from Mr. Weiss's analysis. But as far as 71 is concerned,  
3 Mr. Weiss can answer questions.

4 THE WITNESS: I don't have my work papers. I  
5 thought I was up here for the EEI issue and not the  
6 transmission cost of service issue.

7 JUDGE THOMPSON: I'm sure someone has a set  
8 they'll loan you.

9 MR. LOWERY: I've got some.

10 THE WITNESS: Let me get my own.

11 MR. LOWERY: Sure.

12 Your Honor, it would be our understanding then  
13 that cross-examination will be with respect to the least  
14 cost issue that Mr. Weiss is on and then also Exhibit 71 all  
15 at the same time? We're not going to bring him back at  
16 another time. Correct?

17 JUDGE THOMPSON: Correct. I'm not planning to  
18 bring him back.

19 MR. DOTTHEIM: But we still will be able to  
20 address Exhibit 71, 72 and 73 in a written manner?

21 JUDGE THOMPSON: Absolutely. Absolutely.

22 MR. DOTTHEIM: Because the intention --

23 JUDGE THOMPSON: I mean, Mr. Weiss prepared  
24 71. It's a three-page document. You can ask him any  
25 question you want about it right now. Okay? As well as

1 file anything written you want to in response to it.

2 Now, with respect to 72, Mr. Nelson's already  
3 been up and down, but I don't think the changes from the  
4 previous version are very great and he did cover them in his  
5 remarks. So, I mean, did you have questions of him for  
6 this?

7 MR. DOTTHEIM: No. The questions I have, and  
8 they're limited at this point and this was the only  
9 opportunity, deal with 71 and the work papers.

10 JUDGE THOMPSON: Okay. Very well. Well, I  
11 was going to say if you had an opportunity to ask questions  
12 about 72 of Mr. Nelson, did you have questions?

13 MR. DOTTHEIM: None further.

14 JUDGE THOMPSON: Okay. Fine. I think it's  
15 clear.

16 GARY WEISS testified as follows:

17 CROSS-EXAMINATION BY MR. DOTTHEIM:

18 Q. Good afternoon, Mr. Weiss.

19 A. Good afternoon.

20 Q. And you now have copies of Exhibit 71 and your  
21 work papers?

22 A. That is correct.

23 Q. And your work papers have not been marked as  
24 an exhibit, have they?

25 A. Not that I'm aware of.

1           Q.     Mr. Weiss, I'd like to direct you to the very  
2     last page of your work papers. And I'd like to direct you  
3     to the last sentence that's typed on that page. There's  
4     other handwriting on that page, but the last sentence. And  
5     maybe I should ask at this point whether this page that I'm  
6     going to ask you a question from is -- it's not marked as  
7     proprietary or highly confidential. Can I assume that it's  
8     a non-proprietary, non-confidential page?

9           A.     I believe you can.

10          Q.     The last sentence says, The amount of  
11     transmission plant to be transferred from UE to CIPS based  
12     on December 31, 2003 amounts is \$73,399,042. Did I read  
13     that correctly?

14          A.     No, you didn't.

15          Q.     I'm sorry.

16          A.     It's 76 million, not 73 million.

17          Q.     I said 73 million?

18          A.     Yes, you did.

19          Q.     I'm sorry. Thank you for correcting me.

20                 I'd like to refer you to your Exhibit 71, the  
21     second page, which is titled AmerenUE Missouri Transmission  
22     Cost of Service Without and With the Illinois Asset  
23     Transfer. And I'd like to direct you to the first line with  
24     numbers. And it says the first line with numbers showing  
25     transmission plant. And there's a column that says Without,



1       which I assume is without the Illinois asset transfer?

2           A.       That's correct.

3           Q.       And there's a number of \$488,142,000?

4           A.       That's correct.

5           Q.       That's correct?

6                   And then there's a column to its right labeled  
7       With, which I assume is with the Illinois asset transfer?

8           A.       That is correct.

9           Q.       And the number in that column is \$456,856,000?

10          A.       That's correct.

11          Q.       And if I would subtract one column from the  
12       other, I would get approximately \$32 million, would I not?

13          A.       31.3, yes.

14          Q.       Okay. And if I look at the last page of your  
15       work papers and there's the amount of transmission plant to  
16       be transferred from UE to CIPS based on December 31, 2003  
17       the amount is \$76,399,042. Can you reconcile those numbers?

18          A.       Sure can.

19          Q.       Would you please do so?

20          A.       Okay. The column Without, the 488,142,000 is  
21       taking the total AmerenUE transmission plant, 532,255,000  
22       times the demand factor to get the Missouri portion. And  
23       then to arrive at the -- to the With column, I took the 533  
24       million plus number and subtracted the 76 million number.

25          Q.       Okay. Thank you.

1                   In reviewing your work papers just briefly  
2       since we received them, I think we had some question as to  
3       whether we have the work papers for the With scenario. Is  
4       it your understanding that we've received all the work  
5       papers also including -- for the With scenario?

6           A.       I can show you where every number comes from  
7       out of those work papers.

8           Q.       I'd like to direct you to your work papers  
9       again. And I think on a number of the work papers, for  
10      example, the very first one, it has rate of return study and  
11      then in parenthesis, 4 CP. Would that be indicating that  
12      that rate of return study was done on a 4 coincident peak  
13      demand basis?

14      A.       That is correct.

15      Q.       And, for example, pages 2 and 3 also indicate  
16      that the rate of return study is performed on the basis of  
17      4 CP; is that correct?

18      A.       That's correct.

19      Q.       Are you familiar with the company's  
20      application that was filed initiating the instant case? In  
21      particular, there is a -- in the wherefore clause previously  
22      that had been referred to today, there is an item which  
23      says, Wherefore, Union Electric Company, d/b/a AmerenUE,  
24      respectfully requests that the Commission issue its order,  
25      and then for, small i, approving the use of the latest

1 available 12-month coincident peak demand allocation factor  
2 adjusted for the elimination of the Illinois demands for the  
3 performance of the above reallocations.

4 Are you familiar with that filing or position  
5 of the company?

6 A. Yes. It only applies to a decommissioning  
7 fund.

8 Q. Okay. And only the decommissioning fund?

9 A. That is correct.

10 Q. Mr. Weiss, throughout the two weeks or so that  
11 we've been in hearing off and on, when I've generally  
12 inquired whether there's reflected anywhere in the company's  
13 case the effect of the Metro East transfer on transmission  
14 revenues, expenses and investment, other witnesses have  
15 directed me to you.

16 In the AmerenUE case as filed either in the  
17 Direct Testimony or Surrebuttal Testimony, is there an  
18 indication anywhere of the effect of the proposed Metro East  
19 transfer on AmerenUE's revenues, expenses and rate base?

20 MR. LOWERY: Object on relevance grounds.  
21 We've provided in response to a request from Mr. Gaw -- or  
22 Commissioner Gaw a study. Whether it's included in our  
23 Direct Testimony or not doesn't make any difference. In the  
24 record at this time. I don't think the question's relevant  
25 to any issue in the case.

1                   MR. DOTTHEIM: Judge, I'm frankly quite  
2 surprised because I thought --

3                   JUDGE THOMPSON: You're saying that his  
4 questions about the effect of the Metro East transfer on  
5 AmerenUE's revenues expenses and rate base is irrelevant?

6                   MR. LOWERY: I believe his question was  
7 whether or not there is some information about that in our  
8 Direct Testimony. Where it is in the record is not  
9 relevant.

10                  JUDGE THOMPSON: Mr. Weiss, throughout the two  
11 weeks or so we've been in hearing off and on, when I've  
12 generally inquired whether there's reflected anywhere in the  
13 company's case the effect of the Metro East transfer on  
14 transmission revenues, expenses and investment, other  
15 witnesses have directed me to you.

16                  In the AmerenUE case as filed either in Direct  
17 Testimony or Surrebuttal Testimony, is there an indication  
18 anywhere of the effect of the proposed Metro East transfer  
19 on AmerenUE's revenues, expenses and rate base?

20                  You're objecting that the location of the  
21 information is irrelevant?

22                  MR. LOWERY: Yes, your Honor.

23                  JUDGE THOMPSON: I'm going to overrule that  
24 objection.

25                  If you know the answer, Mr. Weiss, please

1 direct Mr. Dottheim to that information.

2 THE WITNESS: The initial filing did not  
3 include a transmission cost of service study.

4 BY MR. DOTTHEIM:

5 Q. And, Mr. Weiss, when you say "the initial  
6 filing," are you referring to both the application, the  
7 Direct Testimony that was filed on a different date after  
8 that and the Surrebuttal Testimony and filing?

9 A. That's correct. I believe Mr. Nelson  
10 explained why it wasn't required.

11 Q. And there has been marked as exhibits --  
12 Exhibit 71, in particular, and work papers to Exhibit 71  
13 have been provided. Is there contained in those documents,  
14 Exhibit 71 and the work papers thereto, a transmission cost  
15 of service for the proposed Metro East transfer?

16 A. I believe my -- the page 2 of Schedule 71 is  
17 that cost of service study.

18 Q. Does Exhibit 71 indicate how much transmission  
19 revenue is affected by the Metro East transfer as proposed?

20 A. Yes. Page 3 of Exhibit 71 shows the  
21 transmission revenues impacted by the asset transfer.

22 Q. And is there an indication of the effect on  
23 transmission expenses regarding the proposed Metro East  
24 transfer?

25 A. Yes. On page 2 of Exhibit 71.

1 Q. And is there an indication of the effect of  
2 the proposed Metro East transfer on transmission investment  
3 rate base in Exhibit 71?

4 A. That's correct.

5 Q. And where would that be?

6 A. That's also on page 2.

7 Q. Mr. Weiss, are you familiar with the Joint  
8 Dispatch Agreement?

9 A. Not really.

10 Q. Okay. So you're not aware of whether the JDA  
11 addresses the assignment of transmission service revenues?

12 A. Not directly.

13 Q. Mr. Weiss, isn't the allocation of the  
14 generation assets pre-transfer based on a 12 CP?

15 A. What are you referring to, Mr. Dottheim?

16 Q. As far as the allocation of the AmerenUE  
17 transmission assets, their allocation to Missouri  
18 jurisdictional or Illinois jurisdictional, whether it's  
19 based upon a 12 CP methodology prior to the Metro East  
20 transfer?

21 A. The Illinois Commission has always used a 4 CP  
22 method for allocations going back to the mid-1980's. We, in  
23 the complaint case, filed our cost of service using the 4 CP  
24 and have adopted 4 CP at that point in time.

25 Q. Prior to the company's responsive filing in

1 the Staff's excess earnings complaint case, did AmerenUE use  
2 a 12 CP methodology?

3 A. Did it use a 12 CP methodology for Missouri?

4 Q. Yes. I'm sorry. I was referring specifically  
5 to Missouri. And you've indicated that AmerenUE has, prior  
6 to that filing in the Staff's excess earnings complaint  
7 case, used a 12 CP methodology for Missouri?

8 A. That is correct.

9 Q. Mr. Weiss, isn't the allocation of generation  
10 assets between Missouri retail and wholesale based on a  
11 12 CP methodology?

12 A. I think I responded since the complaint case  
13 we've used a 4 CP for all allocation studies, and 4 CP has  
14 always been adopted by Illinois and FERC.

15 Q. Even prior to the Staff's excess earnings  
16 complaint case, AmerenUE has made filings at the FERC based  
17 upon a 12 CP methodology?

18 A. Since we haven't had a FERC filing since the  
19 mid-1980's, I don't recall. But I know the FERC does  
20 approve the use of the 4 CP if certain requirements are met  
21 and we can meet those requirements.

22 Q. Does the FERC approve the use of a 12 CP  
23 methodology?

24 A. They approve which method is -- fits the  
25 conditions -- operating conditions of the company. In our

1 case, we more closely fit the 4 CP requirements than we do  
2 the 12 CP requirements.

3 Q. Mr. Weiss, if you know, is the issue of  
4 liabilities in this case that's associated with generation  
5 based on a 12 CP methodology?

6 A. It's the same either way. The 6 percent  
7 factor comes out either 12 CP or 4 CP for Illinois.

8 MR. DOTTHEIM: If I may have a moment, please.

9 JUDGE THOMPSON: You may.

10 MR. DOTTHEIM: Thank you for your patience,  
11 Mr. Weiss.

12 JUDGE THOMPSON: Thank you, Mr. Dottheim.

13 Mr. Micheel?

14 MR. MICHEEL: No.

15 QUESTIONS BY JUDGE THOMPSON:

16 Q. Mr. Weiss, I have a question that Chairman Gaw  
17 sent me down here to ask. What is the amount of the  
18 monetary compensation that Union Electric is receiving for  
19 the assets that are proposed to be transferred in this case?

20 A. I'm not sure I can answer that. I think it's  
21 around -- the total value is around \$69 million dollars.

22 Q. About 69 million. And who other than you is  
23 the best person to answer that question?

24 A. Mr. Nelson.

25 Q. And I've already let you go.



1           A.       I believe that -- I believe on -- the exhibits  
2       attached to the Asset Transfer Agreement show that -- those  
3       amounts.

4                   JUDGE THOMPSON:  Is that true, Mr. Lowery?

5           MR. LOWERY:  Your Honor, I believe it's in our  
6       application and in Mr. Nelson's Direct Testimony which has  
7       been admitted.  So that answer is in the record.

8                   JUDGE THOMPSON:  Okay.  As long as I can show  
9       Chairman Gaw where to find it, he'll be content.

10          MR. LOWERY:  We will try to find it and point  
11       out precisely where it is.

12                  JUDGE THOMPSON:  I appreciate that.

13          MR. LOWERY:  Your Honor, if you'd like me to  
14       do that now, I can put that in the record for you.

15                  JUDGE THOMPSON:  If you can do it without too  
16       much trouble.

17          MR. LOWERY:  It's in paragraph 9 of the  
18       application.  The cash consideration is 69 million, plus a  
19       promissory note for a like amount.  If I did my math  
20       correctly, that's \$138 million.

21                  JUDGE THOMPSON:  So 69 million now and  
22       69 million you're going to owe us?

23          MR. LOWERY:  Well, which we repay with  
24       interest pursuant to the terms of the promissory note  
25       that's --

1 JUDGE THOMPSON: I understand.

2 MR. LOWERY: Thank you.

3 JUDGE THOMPSON: I'm trying to put it in terms  
4 I can understand. I just haven't borrowed \$69 million  
5 frequently in my life.

6 BY JUDGE THOMPSON:

7 Q. Mr. Weiss, what exactly is your part of this  
8 least cost analysis? What are you here to testify about  
9 regarding?

10 A. The only issue I have is the -- the impact of  
11 the EEI Joppa plant on the UE cost of service.

12 Q. Okay. And in one sentence or so, what is your  
13 conclusion with respect to that?

14 A. My conclusion is that the investment in the  
15 Joppa plant and its operating expenses are not included in  
16 the UE cost of service. The only thing included is the cost  
17 of power we purchase from EEI just like any other purchased  
18 power contract that AmerenUE has.

19 Q. Okay. And that's it?

20 A. That is it.

21 Q. Your part of it?

22 A. That was it.

23 JUDGE THOMPSON: I just don't have any more  
24 questions about that. I'm sorry. I wish I did, but I can't  
25 think of any.

1 Recross, Mr. Dottheim?

2 MR. DOTTHEIM: No questions.

3 JUDGE THOMPSON: Thank you.

4 Mr. Micheel?

5 MR. MICHEEL: No.

6 JUDGE THOMPSON: Redirect?

7 MR. LOWERY: No redirect.

8 JUDGE THOMPSON: Step down and you are

9 excused, Mr. Weiss.

10 Mister Dr. Proctor, nice to see you, sir.

11 THE WITNESS: Good to see you, sir.

12 JUDGE THOMPSON: Take your seat. I'll remind

13 you you are still under oath.

14 Now, before we get going, is this the issue

15 where we change the order or not?

16 MR. FITZHENRY: Yes, it is.

17 JUDGE THOMPSON: I just want to make sure I

18 have the order proper. So who gets the first

19 cross-examination shot on him?

20 MR. FITZHENRY: Depends on which testimony

21 he's being cross-examined.

22 JUDGE THOMPSON: Well, let's pick one and tell

23 me, so I can write it on this chart.

24 MR. MICHEEL: I can avoid this. I'm not going

25 to have any cross-examination for Dr. Proctor on any of the

1 issues.

2 JUDGE THOMPSON: Okay. That makes it easy.  
3 I'll just cross you out then.

4 MR. MICHEEL: Always glad to help.

5 JUDGE THOMPSON: I know you are. And let me  
6 say that I appreciate that.

7 Mr. Dottheim?

8 MR. DOTTHEIM: Housekeeping matter, I think  
9 Dr. Proctor has a correction to make to a date in his  
10 testimony.

11 JUDGE THOMPSON: Absolutely. Let's get that  
12 corrected.

13 MICHAEL PROCTOR testified as follows:

14 DIRECT EXAMINATION BY MR. DOTTHEIM:

15 Q. Dr. Proctor, do you have any corrections to  
16 make to either your Rebuttal or Surrebuttal Testimony --  
17 Cross Surrebuttal Testimony at this time?

18 A. Yes, I do. In the Rebuttal Testimony on  
19 page 7 at line 14 I have the test period for this least cost  
20 analysis to be the 12 months ending December 31st, 2003.  
21 And it should be the 12 months ending December 31st, 2002.

22 JUDGE THOMPSON: December 1st?

23 THE WITNESS: December 31st, 2002.

24 JUDGE THOMPSON: Thank you.

25 BY MR. DOTTHEIM:

1 Q. Dr. Proctor, does that date also appear on  
2 page 6, line 15?

3 A. Yes, it does. I made the mistake twice.

4 Q. And can I refer you back to 7 again?

5 A. Yes.

6 Q. I see a couple other places where there's the  
7 date December 31, 2003. I don't know if these need to be  
8 corrected, but on line 3?

9 A. Yes. Probably everywhere.

10 Q. Line 5?

11 A. Line 5.

12 Q. And then line 16?

13 A. And line 16. And page 8, line 7.

14 Q. On page 8, line 11, does that date need to be  
15 changed?

16 A. Yes. Both times. It appears twice in that.  
17 It should be 2002 instead of 2003. I was, unfortunately,  
18 consistently wrong

19 MR. DOTTHEIM: Thank you, Dr. Proctor.

20 THE WITNESS: Thank you.

21 JUDGE THOMPSON: Okay. Mr. Fitzhenry?

22 CROSS-EXAMINATION BY MR. FITZHENRY:

23 Q. Good afternoon, Dr. Proctor. I'm Ed Fitzhenry  
24 on behalf of AmerenUE. The good news is that your  
25 corrections eliminated about half of my cross-examination.

1 A. Good.

2 Q. Referring to your Rebuttal Testimony, you've  
3 expressed some criticisms directed to Mr. Voytas in which  
4 you refer to snapshot analysis. Correct?

5 A. Correct.

6 Q. For example, at page 7 you state, The company  
7 did not use budget forecasts for any of the direct or  
8 indirect costs associated with the transfer. Correct?

9 A. That's correct.

10 Q. Now, do you have a copy of Mr. Voytas's Direct  
11 Testimony?

12 A. Yes, I do.

13 Q. I'd like you to refer to Schedule 2 of his  
14 Direct Testimony, please.

15 A. Yes.

16 Q. Now, the costs for which that you would like  
17 to have seen Mr. Voytas project a budget, are these the kind  
18 of costs that are reflected on Schedule 2?

19 A. No.

20 Q. Okay. Can you give me an example of the sort  
21 of costs that you had in mind when you gave your testimony?

22 A. Yes. I was primarily concerned with what  
23 appears on Schedule 5, which is the 25 million in savings of  
24 fuel cost.

25 Q. Okay. Okay. Let's talk about fuel cost, if

1 we could. Then, in your mind, a proper analysis would have  
2 had Mr. Voytas or the company look at, for example, fuel  
3 costs in each year of the 25-year planning horizon.

4 Correct?

5 A. That's correct. I mean, if -- if you were  
6 going to go through a multiple-year analysis, you would look  
7 at it in each of the 25 years, yes.

8 Q. And these fuel costs, would they just be  
9 specific to the CTGs or would these fuel costs be with  
10 regard to the other AmerenUE generation and assets?

11 A. Are you asking -- which scenario? I would  
12 want -- well, fuel cost only refers to the transfer  
13 scenario. Okay? So under the transfer scenario, I would  
14 want to see what the fuel cost savings are.

15 Q. Okay. And the fuel cost savings could be  
16 affected or impacted by any number of future events. As a  
17 general statement, would you agree to that?

18 A. Yes.

19 Q. For example, changing technologies might bear  
20 upon fuel costs?

21 A. Could.

22 Q. What about natural disasters?

23 A. It could. But typically what you would do in  
24 an analysis is pick what we'd call key driver variables that  
25 have some uncertainties around them that would impact.

1           Q.       There's been a lot of discussion in this  
2       record about potential changes in environmental rules and  
3       laws.  Would those be some of the key drivers you're talking  
4       about?

5           A.       They could be, yes.

6           Q.       And would you expect an analyst to sort of  
7       predict what those impacts would be associated with  
8       environmental rules or laws going out for a 25-year horizon?

9           A.       No.  What we would normally do and what's  
10      required under the resource planning rules is that you --  
11      that you look at a range of scenarios for the key uncertain  
12      variables.  And you do your study for that range that you  
13      think is a reasonable range for those.

14          Q.       Did -- I'm sorry.  Did you finish?

15          A.       Yeah.  It -- and I'm trying to rec-- trying to  
16      remember all the things that are in the rules, but  
17      essentially the company needs to evaluate those and kind of  
18      do what -- what the Judge has asked us to do from time to  
19      time and that's put probabilities on those.

20                  So if you have -- if you -- for example, if  
21      you look at CO2 legislation and say, well, it's possible  
22      that there would be some CO2 legislation and what's the  
23      probability that goes with that?  And we will look at that  
24      as a scenario and do an evaluation as to its likelihood.  
25      It --



1 Q. I'm sorry. Does that complete your answer?

2 A. Yeah. That's --

3 Q. Okay. Is it fair to say that reasonable  
4 people might disagree about the different assumptions or  
5 factors that might play into what factors do change fuel  
6 costs going out in a planning horizon?

7 A. I think I found generally pretty -- pretty  
8 good agreement about what the key uncertainties are.

9 Q. Okay. And you've not identified those key  
10 uncertainties in your testimony, have you?

11 A. No.

12 Q. In fact, you haven't attempted an independent  
13 analysis on your part to sort of play out this 25-year  
14 planning horizon, have you?

15 A. No, I haven't.

16 Q. And you also talk about -- in your Rebuttal  
17 Testimony, one of your concerns about the impact that  
18 nuclear decommissioning costs would have on the transfer?

19 A. That's correct.

20 Q. And in that regard, were you referring to the  
21 testimonies that were offered previously by Staff Witnesses  
22 Meyer and Bible?

23 A. That's correct.

24 Q. Let me ask you to turn to your Cross  
25 Surrebuttal Testimony, specifically page 6, and more

1 specifically the answer that begins on line 3 and ask that  
2 you look at that for a moment.

3 A. Yes.

4 Q. Okay. There you talk about the possibility of  
5 AmerenUE issuing an RFP for long-term energy and capacity  
6 and say on lines 5 and 7 that even if an existing IPP had  
7 the capacity and was willing to enter into that contract,  
8 the price of the contract will likely reflect the cost of  
9 the new plant. Have I --

10 A. That's correct.

11 Q. Okay. When you talk about the price of the  
12 contract reflecting the cost of the plant, would the price  
13 of that contract also include, for example, some sort of  
14 profit margin to the IPP?

15 A. Yes.

16 Q. Okay. You weren't just specifically talking  
17 only about the cost of the plant being equivalent to the  
18 contract price for that capacity, were you?

19 A. No. I was talking about the cost of the plant  
20 for the utility to build it, which would include a return of  
21 and on on that plant -- their investment on that plant.

22 Q. Thank you. Now, I'd like you to refer to your  
23 Schedule 1 of that same testimony.

24 MR. FITZHENRY: This matter requires us to go  
25 in-camera, your Honor.

1 JUDGE THOMPSON: All right. We will go into  
2 closed session at this time.

3 REPORTER'S NOTE: At this time, an in-camera  
4 session was held, which is contained in Volume No. 18, pages  
5 1777 through 1783 of the transcript.

6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1 MICHAEL PROCTOR testified as follows:

2 QUESTIONS BY JUDGE THOMPSON:

3 Q. Okay. So you would have the Commission order  
4 the company to provide additional analysis?

5 A. Yes.

6 Q. And this is simply to provide that confidence  
7 level with respect to the figures?

8 A. Yes.

9 Q. And exactly what additional analysis would you  
10 suggest that the Commission order?

11 A. Well, I would recommend that the company do  
12 the analysis that I had set out in my Rebuttal Testimony;  
13 that is, to take the load forecast out, analyze the fuel  
14 savings out several years. I mean, whatever -- you know, if  
15 I'm looking at 5 years of analysis, that's going to give me  
16 some additional confidence. If it's out 25 years, maybe I'm  
17 more confident about that.

18 You realize too that the further you go out --  
19 you're doing this on a present value basis. So the further  
20 you get out, the discount factor gets to be fairly large  
21 and -- and so it doesn't contribute that much. It's the  
22 early years that -- that contribute most of the benefit to  
23 the present value.

24 Q. Because in the early years we're more certain  
25 of the factors?

1           A.       Well, that's one way to look at it.  Another  
2 way is that -- is just the time value of money.

3           Q.       Okay.

4           A.       You know, \$1,000 today is worth a lot more  
5 than \$1,000 20 years from now.  \$1,000 20 years from now  
6 isn't worth very much today because of the time value of  
7 money.

8                    So I think if I saw something in the range of  
9 5 years of analyses out that -- that were indicating either  
10 that the 25 million in savings was staying relatively  
11 constant or that it was actually increasing, which I believe  
12 was Mr. Voytas's testimony, then -- then that would give me  
13 a level of -- give me a greater level of confidence about  
14 that.

15          Q.       Now, that's fuel savings?

16          A.       That's fuel savings.  And then the other  
17 aspect of this, I think they ran the market-to--  
18 mark-to-market analysis I think was about a five-year  
19 analysis as well.

20                   If they would do that for both scenarios, for  
21 the transfer scenario and the CT scenario to see how those  
22 would compare in terms of off-system sales.  And, again,  
23 going out five years, I think that would be a more  
24 comparable analysis to do but for both sides.

25          Q.       And how long, in your professional opinion,

1 would it take the company to perform this additional  
2 analysis?

3 A. I don't have, say, all of the knowledge of the  
4 intricate workings of the company with respect to these  
5 things. But what I can tell you is that in instances where  
6 we've asked for -- in discussions with the company on any  
7 number of issues and we've asked for this type of -- same  
8 type of analysis, we would typically get a pretty good  
9 turnaround in a couple of weeks. And, again, I think  
10 Mr. Voytas said four to six weeks. I'd probably say two to  
11 four, but it -- it -- I don't know.

12 Q. So is it a matter of fairly complicated  
13 mathematical modeling?

14 A. Well, obviously all of these models are fairly  
15 complicated from a mathematical perspective but --

16 Q. You understand that for me my checkbook is  
17 complicated from a mathematical perspective?

18 A. Mine is too.

19 Q. I'm just trying to understand these things  
20 that are utterly alien to what I know.

21 A. Yes. But what -- actually the models and  
22 running of the models is probably the simplest part of it.  
23 It's making sure that you get the assumptions in correctly  
24 to reflect the type of analysis that you're wanting to do.  
25 That's where the time --

1 Q. Designing and --

2 A. That's right.

3 Q. -- selecting the inputs?

4 A. Yeah. It's the old garbage in/garbage out  
5 thing.

6 Q. I understand that. But the company, in your  
7 opinion, has employees that are competent to do that work?

8 A. Yes.

9 Q. Now, the company has indicated there is a time  
10 pressure on this transaction?

11 A. Correct.

12 Q. If the Commission were to order this  
13 additional analysis, would that, in your opinion, put the  
14 company in a position where the transfer would no longer be  
15 feasible in view of load requirements for the upcoming  
16 summer?

17 A. I'll have to think through this.

18 Q. And maybe you're not even in a position to  
19 answer that. I don't know.

20 A. Well, part of it has to do with when such a  
21 Commission order would come out. Let's suppose such a  
22 Commission order would come out next week. The company  
23 could respond to it in two weeks. We're in -- this is,  
24 what, the first week of April. So we'd -- second week of  
25 April. Okay. It's been a long month already.

1 Q. Today's the 8th.

2 A. It's been a long hearing.

3 Q. Yes, it has.

4 A. It would probably be somewhere in the fourth  
5 week of April or the first week of May to get the company  
6 response back. Probably the Staff would want time to  
7 respond to that, so we'd add another week. We'd be, say,  
8 the second week of May.

9 I don't know if that's -- I don't know if  
10 that's too late or not too late. In my view, it's not, but  
11 they may have -- if they're having to search around for an  
12 alternative in case it gets scrapped -- the transfer gets  
13 scrapped, then the second week of May is kind of late to be  
14 doing that.

15 Q. Okay. Because, after all, they're in a rate  
16 freeze situation?

17 A. Correct.

18 Q. So if they have to -- let's say as a  
19 hypothetical that the Commission doesn't approve the  
20 transfer and they have to hurriedly find alternative sources  
21 of additional power to meet the upcoming summer load, which  
22 they may have to pay a premium price for on the market, they  
23 can't recover it from rates so it could put the company in a  
24 difficult situation. Is that possible?

25 A. It's -- it's a possibility, but I think it's

1       been pointed out that their reserve margin is really a  
2       function of their entire system, not UE versus AEG. I mean,  
3       that's an internal issue that they -- they could work out  
4       internally between AEG and AmerenUE. I don't think there's  
5       a reliability threat here. I think these are financial  
6       issues between the two companies.

7               Q.       Okay. So do you believe or do you disbelieve  
8       the testimony we heard that the company at present lacks  
9       sufficient generation to cover its expected load for the  
10      upcoming summer?

11             A.       Well, I believe that as an individual company  
12      and to meet its financial -- not financial, but its  
13      commitment in the JDA to maintain -- each company to  
14      maintain its reserve margins separately, I believe that  
15      would be the case. If the transfer doesn't go through  
16      before let's say June 1st, that would be the case as far as  
17      the agreement between the two companies go.

18                    As far as the Ameren system goes, I don't  
19      think the transfer has any impact on that because if the  
20      transfer -- and we heard Mr. Voytas say if the transfer goes  
21      through, Ameren Energy Generation isn't going to go out --  
22      they now have to serve that load. They're not going to go  
23      out and buy additional generation to serve that load. So  
24      from a total system view, from a reliability view, there's  
25      no threat to the system.



1 Q. So, in other words, what you're saying is  
2 they'll serve it with Ameren generation?

3 A. They will serve it with Ameren generation,  
4 that's correct.

5 Q. And pay for it with intercompany transfers?

6 A. However they --

7 Q. Some sort of another?

8 A. However they would work that out internally,  
9 yes, yes, sir.

10 Q. Okay. And I think I also heard you testify  
11 during your last trip up to the stand that there are good  
12 reasons for the company to want to do this transfer?

13 A. Yes, sir.

14 Q. One of them being the difference of regulatory  
15 regime in the two states; is that correct?

16 A. That's correct.

17 Q. And in the past, isn't it true the Staff of  
18 the Missouri PSC has favored this transfer?

19 A. As a general matter, we have favored it. When  
20 we -- when we were asked to -- by the company to -- in fact,  
21 this was a year ago January -- to compare three  
22 alternatives, we had about -- my recollection was about  
23 three days to look at the economics that they put out and to  
24 get back to the company which of those three alternatives we  
25 preferred.

1                   Our preference was expressed then for the  
2 Metro East transfer. Now, that -- that doesn't get into all  
3 of the -- the details of the transfer. It's -- it's a  
4 general, yes, we -- we favor this. And I think the Staff  
5 still favors it. I think it's a question of having some  
6 insurance, having some confidence about the economics and  
7 having some insurance against some of the potential bad  
8 things that could go wrong.

9                   Q.       Okay. Now, let's talk about that. Part of  
10 the Commission's job obviously is predicting the future.  
11 Right? When we set rates, we're predicting the future?

12                  A.       Yes.

13                  Q.       And in approving this transfer, we're  
14 predicting the future?

15                  A.       That's correct.

16                  Q.       Because the effects of the transfer are going  
17 to obviously happen in the future?

18                  A.       That's right.

19                  Q.       So obviously anybody's ability to read the  
20 stars and see what's going to happen in the future is  
21 limited. So what happens if market conditions change,  
22 unfortunate monetary pressures of one sort or another occur.  
23 I mean, that's simply natural, is it not, to some degree?

24                  A.       Yes. And, Judge, if I could --

25                  Q.       Absolutely.

1           A.       -- follow up on that. When we read the  
2       resource planning rules, we realized this. And I guess I  
3       think of it in the following way.

4                    Suppose I could lay out all possible outcomes,  
5       you know, and someone was able to come in and tell me what  
6       the probabilities of each of those were, just like the  
7       probability of flipping a coin. Okay? And in what -- what  
8       I could generate then is -- is a distribution of outcomes.  
9       Maybe -- maybe under 10 percent -- 10 percent of the  
10      outcomes are detrimental and 90 percent are beneficial.

11                   And I would -- if I were the Commission, I was  
12      looking at that, I would say, you know, that looks like a  
13      pretty good deal, you know. We could have a 90 percent  
14      chance in the future that this is going to work to the  
15      benefit of our ratepayers and only -- and we've got this  
16      10 percent chance that it won't. And I agree with that kind  
17      of analysis. And I don't think it -- in that format, that  
18      you need an insurance against the 10 percent.

19                   But let me throw another thing in. And that  
20      is the things that can't be quantified. I can't put a  
21      number on them, I can't put a probability on them. I can't  
22      factor them into that kind of analysis. What do I do with  
23      those kind of things? Particularly if those things -- even  
24      though they may seem to have a very small probability of  
25      happening, that if they do, they could be really bad.

1                   I think the Staff's perspective on those  
2           things is it is -- that we need to try to get protections --  
3           and the way I put it, those are the kinds of things that you  
4           want to insure. We would want to get some kind of  
5           protection against those things. The other things will  
6           weigh out, but -- but those are the ones that we'd like to  
7           get some insurance against.

8           Q.       Let me make sure I understand what you're  
9           saying. If I understand what you're saying, you're  
10          indicating that there are perhaps some detriments -- maybe  
11          unlikely, but nonetheless, some detriments that approval of  
12          this transaction will expose Missouri ratepayers to that  
13          they would not otherwise be exposed to?

14          A.       That's correct.

15          Q.       That are so outrageous that you believe a  
16          degree of insurance is appropriate --

17          A.       That's correct.

18          Q.       -- right?

19          A.       Right.

20          Q.       Okay. So I'm following you. Because, I mean,  
21          let's say the transfer doesn't happen. There's always some  
22          percentage, is there not, that something terrible is going  
23          to happen that's going to cause bad things for the  
24          ratepayers?

25          A.       That's correct.

1           Q.       I mean, look at the Hawthorn plant blowing up.  
2       Who could have predicted that? So we are not in the  
3       business of insuring the ratepayers against calamity?

4           A.       I agree.

5           Q.       But you're suggesting that there may be some  
6       area of special and unreasonable risk that the transfer will  
7       expose the ratepayers to?

8           A.       Yes.

9           Q.       Okay. Identify those areas for me, if you  
10      can.

11          A.       Well, this is -- this --

12          Q.       Or is that what this whole hearing is about?

13          A.       I suspect that is what this whole hearing is  
14      about, but -- and I'm not sure I can go through the list  
15      because I wasn't -- that wasn't my issue. But, you know, if  
16      you're talking about cleaning up pollution problems, okay --  
17      and I'm not talking about making investments in capital to  
18      continue generating from a plant. That's not what I'm  
19      talking about. What I'm talking about is cleaning up  
20      asbestos. That would be one example.

21          Q.       Okay.

22          A.       And that was there for the whole time and the  
23      whole operation of that plant. And to -- and that plant may  
24      have a 60-, 70-year life. And for 50 --

25          Q.       If I'm right, the unreasonable exposure is

1       that the Metro East ratepayers are not going to be on the  
2       hook for it --

3             A.       That's right.

4             Q.       -- if it does happen?

5             A.       That's correct.

6             Q.       So that the Missouri ratepayers are going to  
7       pay that much more --

8             A.       That's correct.

9             Q.       -- if that clean-up happens and it's the worst  
10       case and all that. Right?

11            A.       That's correct.

12            Q.       Okay. Okay. But as you said, we can't  
13       quantify that, can we?

14            A.       I don't know -- I haven't looked at that.  
15       That hasn't been my issue. I think it would -- I suspect  
16       somewhere in this world there is an economist, an engineer  
17       type who would say that they could quantify it.

18            Q.       Okay. But we're stuck with the record we  
19       have?

20            A.       That's correct.

21            Q.       And that economist hasn't appeared here?

22            A.       That's right, he hasn't.

23            Q.       Okay. And I ain't going to hold the record  
24       open hoping he or she finds their way to the building.

25            A.       Right. I agree.

1 Q. But even there the company has made provisions  
2 by putting money in reserve funds; isn't that correct?

3 A. I'm not familiar with the issue. I don't  
4 know.

5 Q. If I told you that I recall testimony that  
6 they have, would you have any reason to disagree?

7 A. No. I have no reason to disagree.

8 Q. And, of course, that's again trying to predict  
9 the future, how much is it really, really, really going to  
10 cost but -- okay. I think I see where you're coming from.

11 A. Okay.

12 Q. Anything else you want to tell me?

13 A. No, sir.

14 JUDGE THOMPSON: Thank you very much for your  
15 testimony.

16 That's all the questions that I have for  
17 Dr. Proctor. And I think it is now time for Mr. Fitzhenry  
18 to do some recross.

19 MR. FITZHENRY: It is. And it will be brief.

20 RECROSS-EXAMINATION BY MR. FITZHENRY:

21 Q. Dr. Proctor, you were asked some questions by  
22 Judge Thompson with regard to in the event that the Metro  
23 East transfer doesn't happen, will AmerenUE be short in  
24 capacity and you answered in the affirmative?

25 A. Yes, that's correct.

1                   MR. FITZHENRY: Just briefly, your Honor, I  
2                   want to go off into in-camera.

3                   JUDGE THOMPSON: Okay. Don't forget to tell  
4                   me when we're done.

5                   REPORTER'S NOTE: At this time, an in-camera  
6                   session was held, which is contained in Volume No. 18, pages  
7                   1798 through 1799 of the transcript.

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1 MICHAEL PROCTOR testified as follows:

2 RECROSS-EXAMINATION BY MR. FITZHENRY:

3 Q. Now, you mentioned again in your response to  
4 certain of Judge Thompson's questions that you thought that  
5 in the situation where AmerenUE was short in the 2004 year,  
6 that there might be some opportunities for it to obtain or  
7 purchase or lean on GENCO or the Ameren system as a whole;  
8 is that right?

9 A. That's correct.

10 Q. Okay. Do you know, as you sit here today,  
11 whether or not there is any available capacity from AEG or  
12 the system to supply this deficit?

13 A. The best information that I have on that is  
14 at --

15 MR. DOTTHEIM: Are we going into highly  
16 confidential or proprietary information?

17 THE WITNESS: I don't -- it does say  
18 proprietary on this.

19 JUDGE THOMPSON: Well, do you want me to go  
20 in-camera?

21 THE WITNESS: Let me describe it and if he  
22 wants to go into it, we can go into it.

23 The best information I have on this is  
24 AmerenUE's response to OPC Data Request No. 614, which shows  
25 the -- well, I would call it capacity balance, but capacity

1 balance for -- for Ameren Energy Marketing given the  
2 transfer.

3 BY MR. FITZHENRY:

4 Q. And does it show an effective date of what  
5 that capacity balance is?

6 A. It shows -- it shows what it is for the year  
7 2004 out to the year 2012.

8 Q. All right. There were also some questions  
9 asked of you by Judge Thompson regarding the possibility of  
10 a study and you talked about something in the range of two  
11 to four weeks, if I recall correctly?

12 A. That's correct.

13 Q. All right. You were here and present when  
14 Mr. Voytas as was cross-examined. Correct?

15 A. I was.

16 Q. And I recall that Judge Thompson asked him his  
17 opinion about the possibility of such a study. Do you  
18 remember Mr. Voytas's answers?

19 A. Yes. I believe he answered if we didn't have  
20 to deal with the environmental issues, that it would be four  
21 to six weeks.

22 Q. Well, he also -- depending on the kind of  
23 study we're talking about, he thought there might be a need  
24 to retain a consultant?

25 A. That had to do with environmental issues.

1           Q.     Do you recall Mr. Voytas's testimony that,  
2     yes, he thought it would be possible to do such a study  
3     regarding costs going out four or five years, but he had  
4     some question about the ability to predict revenues in that  
5     period of time?

6           A.     I think his -- I don't recall him talking  
7     about predicting revenues. You mean load -- the AEG load?

8           Q.     No. He talked specifically about revenues and  
9     the kind of analysis --

10          A.     I don't know what that means.

11                 MR. FITZHENRY: Okay. Thank you. That's all  
12     I have.

13                 JUDGE THOMPSON: Thank you, Mr. Fitzhenry.

14                 Mr. Micheel, you got anything?

15                 MR. MICHEEL: I do, your Honor. I didn't want  
16     to miss my chance to ask Dr. Proctor a question or two.

17                 JUDGE THOMPSON: Fire away.

18     RE CROSS-EXAMINATION BY MR. MICHEEL:

19           Q.     Dr. Proctor, Judge Thompson asked you some  
20     questions about the financial impact, the transfer or not  
21     completing the transfer may or may not have on Ameren. Do  
22     you recall those questions?

23           A.     Yes, I do.

24           Q.     Do you have a copy of Mr. Kind's Rebuttal  
25     Testimony with you, sir?

1           A.       I believe I do.

2           Q.       Could you get that out, sir? And I'm focusing  
3 on page 4 of that Rebuttal Testimony. And let me know  
4 when --

5           A.       Yes, I'm there.

6           Q.       Mr. Kind has a quote there from a Warner  
7 Baxter, Ameren's executive vice president and chief  
8 financial officer?

9           A.       Yes.

10          Q.       Starting on line 25 right at the end of the  
11 bold --

12          A.       Yes, sir.

13          Q.       -- with the word "again," could you read that  
14 into the record all the way through on page 5, line 5?

15          A.       Okay. Again, what we hope to do is to have  
16 those service territory transfer as well as generation  
17 transfer some time in place by the summer -- by next summer.

18                 Key point associated with this -- excuse me,  
19 with all this, however, is that from the financial  
20 standpoint of the holding company, Ameren, it really doesn't  
21 matter when those transfers are done because we are in a  
22 rate moratorium through the middle at least 2006, if not  
23 through the end of 2006. So we have some time.

24                 We operate our plants on some sort of joint  
25 dispatch basis so it's not going to have a financial impact

1 or operating impact, but ultimately when we want to get  
2 these things done before our next rate case, it -- excuse  
3 me, ultimately when we want to get these things done before  
4 our next rate case is in the state of Missouri as well as  
5 Illinois.

6 Q. And does that indicate that Mr. Baxter doesn't  
7 see a financial or operational impact?

8 A. That's what he said.

9 Q. And when did he say that?

10 A. October 28th, 2003.

11 MR. MICHEEL: Thank you, Dr. Proctor. I have  
12 no further questions.

13 JUDGE THOMPSON: Thank you, Mr. Micheel.

14 Mr. Dottheim, redirect?

15 REDIRECT EXAMINATION BY MR. DOTTHEIM:

16 Q. Dr. Proctor, in some questions from the Bench  
17 I think you made reference to the Metro East transfer and  
18 meetings in January 2002 with AmerenUE?

19 A. That's correct.

20 Q. Were those meetings limited to January 2002?

21 A. No. Those meetings started in January. I  
22 think the first meeting was January 15th and we had a  
23 follow-up meeting January 18th and then we had subsequent  
24 meetings in February and I believe also in March.

25 Q. In those meetings was the JDA an item that was

1 discussed?

2 A. Oh, yes.

3 Q. And could you please identify the nature of  
4 those discussions with company?

5 A. The discussions on the Joint Dispatch  
6 Agreement?

7 Q. Yes. Yes. As it was related to these -- the  
8 other discussions involving the Metro East transfer.

9 A. Well, I think the question with -- and the  
10 discussions with company revolved around whether the Joint  
11 Dispatch Agreement would continue out into the future.

12 And I think at that time our understanding was  
13 that -- and I believe it's December 31st of 2003 was the JDA  
14 as a contract would no longer -- well, at that point either  
15 party to that contract could say, I want this contract to no  
16 longer exist. And so the discussion was -- was whether or  
17 not the JDA as a contract between AmerenUE and GENCO would  
18 continue beyond that date.

19 Q. Did the Staff have a position that it proposed  
20 to the company?

21 A. In our discussions at that time?

22 Q. Yes.

23 A. No. Well, did we have a position about -- the  
24 company had a position that they wanted it to continue and  
25 the Staff had a position that they -- they -- not in its



1 current form. But beyond that, the Staff wasn't looking at  
2 specific details of how a JDA should look or those types of  
3 things.

4 Q. Was there any discussion as far as the type of  
5 analysis that AmerenUE should perform for a future filing  
6 with the Missouri Commission respecting a Metro East  
7 transfer proposal?

8 A. Well, it's an interesting question. I don't  
9 recall any such discussions. What I recall is that on  
10 January 15th we were given -- first we were given a  
11 presentation related to -- and this is what we were really  
12 focusing on -- responses to RFPs for power.

13 And AmerenUE's analysis of those responses for  
14 RFP, their choices -- their choice of the best response,  
15 that was in there. Then they combined that because --  
16 because it didn't necessarily meet all their needs, so they  
17 combined that with -- and we looked at an analysis of should  
18 we combine with another what they call towing option or  
19 should we combine it with additional --

20 MR. DOTTHEIM: I don't know if we're going  
21 into anything that might be considered to be highly  
22 confidential or proprietary.

23 MR. FITZHENRY: No, we're not.

24 MR. DOTTHEIM: Okay. Thank you.

25 THE WITNESS: Anyway, we worked through all of

1       this analyses of that option and then kind of -- my  
2       recollection was at the end of that, two more options were  
3       thrown in. I believe this was in a second presentation at  
4       that time. That involved -- one of those particular options  
5       was the Metro East transfer.

6                       So we were looking at three options. And the  
7       company said, you know, we really need to move if we're --  
8       if we're going to enter into this contract with this outside  
9       party, we need to move on that quickly. So we need your  
10      response as quickly as possible. Which of these options do  
11      you prefer?

12                     Okay. I do not remember a discussion about  
13      the content of the analysis of the Metro East transfer.  
14      What I remember the focus being on was whether or not they  
15      should go forward with this -- this contract for power. And  
16      that's what we were responding to.

17                     I don't recall at any time that we sat down  
18      and said, Is this the best and right kind of analysis,  
19      but -- but basically we came back and said, Well, out of  
20      those options, the Metro East transfer option looks the  
21      best. But I don't remember any focus on or discussion of  
22      the details and the structure of the analysis that was  
23      presented at that time for the Metro East transfer.

24                     I will say this. I felt like all three of  
25      those an analyses were on a comparable basis. If I hadn't

1       felt that, I probably would have come back and told our  
2       division director that they weren't and there needs to be a  
3       correction before we can respond.

4       BY MR. DOTTHEIM:

5               Q.       Dr. Proctor, in response to a question from  
6       the Bench you said that, if I understood you correctly,  
7       reserve margin respecting AmerenUE is a function of the  
8       entire system. Can you relate that as it applies to MAIN,  
9       the MidAmerica Interconnected Network?

10              A.       Well, my understanding is that MAIN has a --  
11       what I would call suggested planning reserve margin that  
12       they -- that there's no penalties associated with that, but  
13       that they require the companies within -- they don't require  
14       it. They suggest that the companies within MAIN meet this  
15       planning reserve margin.

16                      There's no enforcement of it as far as I know,  
17       but the real point here is that whatever that reserve margin  
18       is and whatever it represents, it applies to Ameren as an  
19       entire system, as a control area. That's a key component.

20                      What we're really talking about is the  
21       reliability of the system. And the reserve margin that is  
22       suggested is based upon studies that have been done at MAIN  
23       and what they're looking at is what is the probability that  
24       we're going to have a blackout? It's a reliability issue.  
25       It's not an economics issue. It doesn't even pay any

1 attention to the economics of the generation units that are  
2 included in the study.

3 It's only interested in what's the  
4 probabilities that these units are going to be forced out,  
5 what are the loads, what's the probabilities that we're  
6 going to have a very hot summer. And it -- and it brings  
7 all that together to -- to determine what reserve levels  
8 ought to be held in the pool.

9 Q. Do you know what is the reserve margin of the  
10 Ameren system for the summer of 2004? And I don't know  
11 whether this is information that would be deemed to be  
12 highly confidential or proprietary.

13 A. Let me say I would have to -- it would take me  
14 probably five minutes to sit down and calculate it. I don't  
15 have any document here that gives me that number exactly.

16 MR. DOTTHEIM: Judge, could we have five  
17 minutes?

18 JUDGE THOMPSON: You could.

19 MR. DOTTHEIM: Dr. Proctor, you need a  
20 calculator?

21 THE WITNESS: Actually, I think I brought one  
22 this time.

23 (A recess was taken.)

24 JUDGE THOMPSON: Let's go back on the record.  
25 We have had a discussion while off the record concerning the

1 briefing in this case and it has been agreed that  
2 simultaneous principal briefs will be filed on May 13th,  
3 simultaneous reply briefs will be filed on May 25th and also  
4 on May 25th the parties will file proposed Findings of Fact  
5 and Conclusions of Law. Okay? Did I miss anything? Great.

6 Fire away, Mr. Dottheim.

7 BY MR. DOTTHEIM:

8 Q. Dr. Proctor, have you completed the  
9 calculation determining what the Ameren system reserve  
10 margin is for the summer of 2004?

11 JUDGE THOMPSON: Do we need to go in-camera  
12 for this?

13 MR. DOTTHEIM: Yes.

14 JUDGE THOMPSON: I think reserve margin has  
15 been a secret number all through this.

16 REPORTER'S NOTE: At this time, an in-camera  
17 session was held, which is contained in Volume No. 18, pages  
18 1811 through 1812 of the transcript.

19

20

21

22

23

24

25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1 MICHAEL PROCTOR testified as follows:

2 REDIRECT EXAMINATION BY MR. DOTTHEIM:

3 Q. Dr. Proctor, I believe Mr. Fitzhenry asked you  
4 some questions about changes in environmental laws and  
5 regulations, whether that might be included as a key driver.  
6 Could you identify any other items that you would consider  
7 to be key drivers in a least cost analysis study?

8 A. Yeah. And these are ones that -- and why I  
9 say I think there's typically agreement on these, they're  
10 ones that show up in just about every least cost analysis.  
11 And that's the price of fuels, particularly the price of  
12 natural gas because it tends to be fairly volatile. Okay?

13 Coal prices maybe to a certain extent, but  
14 they're a lot less volatile and they tend not to be a key  
15 driver because of that. It's the things that are volatile  
16 that you can get a lot of variation on are the things that  
17 you want to look at. So I would say primarily natural gas  
18 prices.

19 The -- I've seen utilities look at forced  
20 outage rates on units. I don't happen to believe that's a  
21 key driver variable. I don't think it's -- I don't think  
22 it's a big one. The other biggie is the load forecast. And  
23 whether the load forecast is going to be high or low. And  
24 so those -- those -- the environmental factors, the price of  
25 natural gas and the load forecast, those tend to be the top



1 three.

2 Now, if you're doing other specific types of  
3 analyses, which we're not dealing with here -- here we're  
4 dealing with what's going to happen to the fuel savings from  
5 the transfer. So I don't care whether Ameren brings in or  
6 is planning to bring in wind power. And in doing an  
7 analysis of that, then availability of transmission could be  
8 a big component.

9 They will do an analysis of off-system sales.  
10 And so key assumptions about what they can sell out into the  
11 market, that could be a key driver as well. Particularly if  
12 their analysis is showing that there are lots of hours where  
13 their combustion turbines -- incremental costs are below  
14 what they're forecast in the market price to be, but they're  
15 limiting the sales in their -- in their analysis to some  
16 ability to export.

17 Then -- then that export margin or constraint  
18 can be a key -- key variable as well. So I've tried to  
19 identify the ones that I've seen appear as major -- major  
20 items.

21 MR. DOTTHEIM: Thank you. I have no further  
22 redirect.

23 JUDGE THOMPSON: Thank you.

24 You may step down, Mister -- well,  
25 Dr. Proctor. Excuse me.

1 THE WITNESS: Thank you.

2 JUDGE THOMPSON: You are excused. Thank you  
3 for your testimony.

4 We're going to take just a real brief recess  
5 before we start with Mr. Kind.

6 (A recess was taken.)

7 MR. LOWERY: I would offer Exhibit 85.

8 JUDGE THOMPSON: Do you have any objection?

9 We'll receive Exhibit 85, which is designated  
10 highly confidential.

11 MR. MICHEEL: May I proceed, your Honor?

12 JUDGE THOMPSON: You may.

13 RYAN KIND testified as follows:

14 DIRECT EXAMINATION BY MR. MICHEEL:

15 Q. Mr. Kind, earlier today I offered Exhibit 83.  
16 Is that a response to an AmerenUE Data Request 25G?

17 A. That is a portion of a supplemental response  
18 to AmerenUE Data Request 25G.

19 Q. And did that data request seek your work  
20 papers on all calculations that you had done?

21 A. Yes. And this is some of those calculations.

22 Q. And in that calculation that's been marked as  
23 Exhibit 83, your Work Paper Scenario C, is the only change  
24 that you made to Mr. Voytas's work paper to reduce from 471  
25 kilowatts to 450 kilowatts the number in the CTG analysis?

1           A.       That's correct. I just plugged a different  
2       number, 450, into one of the cells in the spreadsheet --  
3       plugged in 450 instead of 471.

4           Q.       And other than that, everything else remained  
5       the same?

6           A.       Well, I verified that the impacts of that  
7       change flowed through the spreadsheet properly and they did.

8           MR. MICHEEL: With that, again, your Honor, I  
9       would offer the admission of Exhibit 83.

10          JUDGE THOMPSON: Objections?

11          None. Exhibit 83 is received.

12          (Exhibit No. 83 was received into evidence.)

13          MR. MICHEEL: I would tender Mr. Kind for  
14       cross-examination, your Honor.

15          JUDGE THOMPSON: Thank you.

16          Mr. Dottheim?

17          MR. DOTTHEIM: No questions.

18          JUDGE THOMPSON: Mr. Lowery?

19          MR. LOWERY: No questions.

20       QUESTIONS BY JUDGE THOMPSON:

21          Q.       Okay. Mr. Kind, obviously you see some  
22       detriments with respect to the least cost analysis. Right?

23          A.       That's correct.

24          Q.       What are they?

25          A.       As I stated in my Rebuttal Testimony, I don't

1 believe that the company compared all the available options  
2 to the Metro East transfer option. They only compared the  
3 option of building additional CTs. They did not consider  
4 other additional known options.

5 And they also did not issue a new RFP to  
6 discover what other options might be available that might  
7 have been less cost than the Metro East transfer. One of  
8 the known options that they didn't consider that's been much  
9 discussed in this case was continuing to receive 405  
10 megawatts of capacity and associated output from the Joppa  
11 plant, which I believe Mr. Nelson acknowledged earlier today  
12 would be a less cost resource than the Metro East option.

13 Q. So your viewpoint is different than that of  
14 Dr. Proctor?

15 A. Yes. I don't -- I mean, I don't think that --  
16 I think Dr. Proctor's analysis was limited to comparing the  
17 two options that were analyzed. However, I do have some  
18 overlap of my views with Dr. Proctor in that I also don't  
19 believe that the two options that they did -- where they did  
20 perform a quantitative analysis were evaluated correctly.  
21 And I could go into those details now if you'd like me to.

22 Q. Briefly.

23 (REPORTER'S NOTE: At this time, an in-camera  
24 session was held, which is contained in Volume No. 18, pages  
25 1818 through 1831 of the transcript.)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25



- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1 I N D E X

2 LEAST COST ANALYSIS ISSUE

3	RICHARD VOYTAS	
	Direct Examination by Mr. Fitzhenry	1601
4	Cross-Examination by Mr. Dottheim	1602
	Cross-Examination by Mr. Dottheim (In-Camera)	1610
5	Cross-Examination by Mr. Dottheim	1613
	Cross-Examination by Mr. Dottheim (In-Camera)	1642
6	Cross-Examination by Mr. Micheel	1647
	Cross-Examination by Mr. Micheel (In-Camera)	1651
7	Cross-Examination by Mr. Micheel	1665
	Cross-Examination by Mr. Micheel (In-Camera)	1676
8	Cross-Examination by Mr. Micheel	1682
	Redirect Examination by Mr. Fitzhenry	1686
9	Redirect Examination by Mr. Fitzhenry	1691
10	GARY WEISS	
	Cross-Examination by Mr. Dottheim	1756
11	Questions by Judge Thompson	1765
12	MICHAEL PROCTOR	
	Direct Examination by Mr. Dottheim	1769
13	Cross-Examination by Mr. Fitzhenry	1770
	Cross-Examination by Mr. Fitzhenry (In-Camera)	1776
14	Questions by Judge Thompson (In-Camera)	1779
	Questions by Judge Thompson	1784
15	Recross-Examination by Mr. Fitzhenry	1796
	Recross-Examination by Mr. Fitzhenry (In-Camera)	1798
16	Recross-Examination by Mr. Fitzhenry	1800
	Recross-Examination by Mr. Micheel	1802
17	Redirect Examination by Mr. Dottheim	1804
	Redirect Examination by Mr. Dottheim (In-Camera)	1811
18	Redirect Examination by Mr. Dottheim	1813
19	RYAN KIND	
	Direct Examination by Mr. Micheel	1815
20	Questions by Judge Thompson	1816
	Questions by Judge Thompson (In-Camera)	1819
21	Redirect Examination by Mr. Micheel	1820

22 LIST OF STAFF CONDITIONS

23	CRAIG NELSON	
	Questions by Judge Thompson	1695
24	Cross-Examination by Mr. Dottheim	1738

25

1	EXHIBITS INDEX	Marked	Rec'd
2	Exhibit No. 15 Cross Surrebuttal Testimony of Michael Proctor		1830
3	Exhibit No. 68 Staff's list of conditions	1602	1603
5	Exhibit No. 71 Transmission Revenue Analysis		1728
6	Exhibit No. 72 Revised Summary of Benefits		1728
8	Exhibit No. 73 Updated analysis to Schedule 4 of Voytas Direct		1728
9	Exhibit No. 81 Resource Planning Briefing Session	1643	1646
11	Exhibit No. 82 Portion of Rebuttal Testimony of Richard Voytas in FERC Case No. EC03-53-000	1666	1668
13	Exhibit No. 83 OPC Witness Kind's Scenario C Work Papers	1670	1816
14	Exhibit No. 84 AmerenUE's response to OPC Data Request 5950	1676	1679
16	Exhibit No. 85 Rebuttal Testimony of Richard Voytas in FERC Case No. EC03-53-000		1815
18	Exhibit No. 86 Public Counsel Witness Kind's Scenario B Workpapers	1821	1826
20	Exhibit No. 87 Public Counsel Witness Kind's Scenario D Workpapers	1826	1827
22	Exhibit No. 88 Public Counsel Workpapers for Scenarios B, C, and D of the UE Witness Voytas Direct Testimony 25 Year Revenue Requirement Analysis of the Proposed Transfer Option and the CTG Option	1828	1830
25			