A. To the extent that there were grammar changes, changes in formatting and sentence structure of the testimony, that would be it.

Q. So you did talk to some other people in the course of preparing your testimony?

A. Yes.

Q. And other people reviewed your work?

A. Yes.

Q. Okay. I hand you a document entitled Staff's Responses to Union Electric Company's First Set of Interrogatories.

MR. TODD: I'll give you a copy too.

I don't see a need to put a copy in the record -- it seems like it's a wasteful copy -- if that's okay with you.

MR. ANDERSON: That's fine with me.

MR. TODD: But this way we can all look at it.

BY MR. TODD:

Q. Okay. Mr. Cassidy, your name shows up throughout this document in a number of places, and I'd just like to take you through each place where you pop up and ask you a few questions.

We'll just take it in order. So why don't I get you to turn to page 24 and Response No. 13.

Question 13 reads, Identify each person who

reviewed the draft of the testimony of John P. Cassidy, And the answer identifies a number of individuals.

Can you tell me when the answer states that each of these people reviewed a draft of your testimony, what does the term "a review" include?

A. When I answered this question, I listed the people that I actually gave a draft of my testimony to. I did not receive a response from all of the people listed there.

A review to me means that they read the testimony and may have made some comments about it.

Q. Can you tell me which individuals did respond to you?

A. Steve Rackers, Greg Meyer, Mark Oligschlaeger, Eric Anderson, Dennie Frey.

Q. And so Jim Schweiterman, Leon Bender, Lena Mantle and Steve Dottheim did not respond to you?

A. Correct.

Q. Do you know whether or not they actually reviewed your testimony?

A. I know that Leon read -- read the testimony. I know that Jim Schweiterman read the testimony. Lena Mantle, I know she read the testimony. I'm not aware if Steve Dottheim read it or not.

Q. Do you know whether any other people actually

reviewed your testimony regardless of whether you yourself provided them with a draft?

A. I'm not aware of anyone else.

Q. Okay. The next question down, Question 14, identifies people who participated in or contributed to the preparation of your testimony.

Can you tell me what participation or contribution Steve Rackers made?

A. Steve's review included changes regarding formatting, punctuation, changes in sentence structure, as I recall.

Q. And what participation or contribution did Greg Meyer have?

A. The same.

Q. How about Mark Oligschlaeger?

A. The same.

Q. Leon Bender?

A. Leon did not give me a response in writing.

Q. To the extent that there won't be an objection to it, Eric Anderson?

A. A few -- a few changes in formatting, sentence structure.

Q. The same question for Dennie Frey?

A. The same.

Q. So other than formatting, sentence structure

and the rest of your responses just now, your work -- your testimony reflects entirely your own work?

A. Yes.

Q. Let's turn to page 79, No. 88, reading the question and answer here, do you stand by your answer, the answer that you prepared here?

A. Yes.

Q. Page 88, Question 93, would you define for me the normalized cost of fuel and net purchased power as it is used in Question No. 93?

A. The normalized cost of fuel and net purchased power represents the cost of producing and purchasing power to meet the level of megawatt-hour sales in the Staff's revenue annualization in this case.

Q. And you're reading that from your testimony?

A. Yes.

Q. What page are you reading from?

A. Page 7.

Q. Line?

A. Lines 16 through 19.

Q. Let's flip to page 89, Question 95.

Actually, we're going to get back to this one.

Let's go on to Question 98.

Again, reviewing the question and the portion of the answer that you prepared, would you reaffirm your

answer today?

A. Regarding Question 98 on page 95?

Q. Yes, sir.

A. Yes, my answer remains the same.

Q. How about Question 99 on that same page?

A. Yes, my answer remains the same.

Q. And Question 100?

A. Yes, my answer remains the same.

Q. Preparing for today's deposition has not changed your answer in any way on any of these questions?

A. Correct.

Q. You haven't come across any reason to question the answer you previously provided?

A. I have not.

Q. Mr. Cassidy, I understand from your written testimony that you graduated from Southeast Missouri State?

A. That's correct.

Q. Do you have one degree or two?

A. It is one degree with a double major.

Q. And that was marketing and accounting?

A. That's correct.

Q. Do you have any advanced degrees?

A. No.

Q. Are you a CPA?

A. I've never sat for the CPA exam.

Q. And when did you begin working for the Commission?

A. In 1990.

Q. And have you worked for the Commission since you graduated?

A. Yes.

Q. Have you ever worked for any other employer?

A. During college.

Q. So any prior work experience relating to regulatory matters?

A. No.

Q. Mr. Cassidy, what is your understanding of the Commission's legal obligation?

A. I don't know.

Q. Are you familiar at all with the term "just and reasonable rates"?

A. Yes.

Q. In what way are you familiar with that term?

A. It is the Commission's responsibility to set just and reasonable rates.

Q. Do you have any idea what types of things a just and reasonable rate might take into consideration?

A. From my viewpoint, normal, recurring, ongoing levels of costs built in the rates.

Q. The term "normal," would you agree, is quite a subjective term?

A. I don't know.

Q. Well, what would you consider normal in performing your analysis?

A. Something that is reasonably ongoing.

Q. So in your analysis, then, would you seek to exclude prior events that you consider to be not normal, not ongoing?

A. I'm sorry. Repeat the question.

Q. In your performing your analysis would you seek to exclude nonrecurring -- or events that you consider abnormal?

A. Correct.

Q. In performing your analysis do you ever look forward to attempt to anticipate future events that might affect your areas of analysis?

A. In setting rates, I look to normalize and annualize in this case expenses to reflect ongoing, normal, recurring levels which should occur during the period that rates are in effect.

Q. Now, the last portion of your answer there seems to imply somewhat of a forward-looking analysis.

MR. ANDERSON: Are you asking a question?

MR. TODD: I'm working on it.

BY MR. TODD:

Q. Is that correct?

A. In setting a rate the Commission looks to yesterday for predicting the future.

Q. Could you tell me what you're reading from there?

A. I'm reading from the Staff's response to Item 16 from the first request for admissions, page 12.

Q. In performing your analysis do you take into account the best interests of current ratepayers?

A. I take into account the best interests of the ratepayers, shareholders and the company.

Q. Are these three sets of interests normal and ongoing?

A. I don't understand the context of your question, in what sense.

Q. Well, you testified a minute ago that the only things you consider are normal and ongoing costs, and now you also agree that you considered these other considerations.

And so I'm wondering how they square with your prior testimony that you consider normal and ongoing costs in performing your analysis.

A. I still don't understand what -- what you're asking.

Q. Did the interests of customers change over time?

A. I don't know.

Q. How about the interest of the corporation?

A. I don't know.

Q. Shareholders?

A. I don't know.

Q. In performing your various areas of analysis, did you consider all facts having a material bearing upon the establishment of just and reasonable rates?

A. To the best of my ability, yes.

Q. Are those facts included in your testimony?

A. Yes.

Q. In your opinion does your written testimony include everything that the Commission would need to establish a just and reasonable rate with regard to your areas of analysis?

A. At this point in time, yes.

Q. Would I be correct in assuming that at certain points in your analysis you have to make subjective judgments, judgments that are not purely data driven?

A. Yes.

Q. Could you give me an example of such a subjective judgment?

A. In choosing fuel prices I had to determine what

period of fuel prices to use. The period that I chose best reflected the trend that was occurring with fuel prices with regard to this case.

Q. And in that context the word "best" would probably be where the subjective judgment comes in. Would you agree with that?

A. Yes.

Q. Do you have a sense of how the adjustments that you proposed, your areas of analysis, factor into the Staff's overall rate reduction proposal?

A. I don't know.

Q. When you perform your analysis -- and I suppose in particular the area is calling for subjective judgment -- have you ever considered efficiency gains?

A. No.

Q. How about a utility's right to earn a fair return on its investment?

A. No.

Q. How about a utility's need and right to attract investor capital?

A. No.

Q. Have you ever considered the public's interests in the efficient use of resources?

A. No.

Q. Have you ever considered rate stability?

A. No.

Q. Have you ever considered the public's interest in the reduction of regulatory lag?

A. No.

Q. Have you ever considered the public's interest in the utility as an employer?

A. No.

Q. Let's move on to your written testimony, and I'd like to have you turn to page 2, please.

On pages 2 through 6 you provide an overview of AmerenUE electric generation facilities. Is that correct?

A. Yes.

Q. I'm curious why you included this in your written testimony.

A. I felt that it gave a good description of AmerenUE's electric generation facilities.

Q. But why did you consider it necessary?

A. It makes understanding the testimony easier with regard to the area of fuel. It gives -- by knowing what plants the company is operating, it gives it -- when you discuss fuel prices, you can apply it to what plants we're discussing.

Q. I appreciate the fact that it was in there. I learned about the Company.

What was the source of this information?

A. Data requests, Company's web site, information provided by Leon Bender.

Q. You don't have a background in physics at all, do you?

A. No.

Q. Are you familiar with the term "must-run facility"?

A. No.

Q. So I extrapolate from your answer that you have not performed any analysis as to which of these facilities Ameren considers must-run facilities?

MR. ANDERSON: I'm going to object at this point. If he's not familiar with the term, how can he answer that question?

Can you define the term "must-run"?

MR. TODD: I can if that would make things easier.

MR. ANDERSON: He may have a different term that he feels may mean the same as must-run.

MR. TODD: Fair enough.

BY MR. TODD:

Q. The term "must-run" is -- if we assume for purposes of this deposition that a must-run facility is one -- is a high-priority facility which in Ameren's -- AmerenUE's decision making in terms of turning on and off

plants, these are plants that is much more costly to turn on and off.

Have you performed that analysis as to which of these plants would fall into that category?

A. I have looked at the Company's economic loading order, which ranks which plants should be run first, second, third and so forth.

Q. Are you familiar with the Sioux plant?

A. Yes.

Q. Do you know where Sioux plant -- Sioux plant falls in that order?

A. The economic loading order as I know it ranks Callaway first, Labadie second, Rush Island third, Sioux fourth, Meramec fifth.

Q. Have you performed any analysis of how those plants differ from each other as you go up or down that list?

A. With regard to their fuel prices, yes. With regard to the type of fuel they use, yes.

Q. But not with regard to how easy they are to turn on and off?

A. No.

Q. So, for instance, you don't know -- would I be correct in assuming that you don't know how much harder it would be to turn on and off the Callaway nuclear plant as

compared to the Meramec unit?

A. I don't know that.

Q. I've turned to Gary for a definition of must-run which I want to share and see if this changes your analysis -- your answers at all.

A must-run plant must be kept on line at all times, regardless of economic dispatch ranking.

Have you performed any analysis of these plants to determine whether or not they are must-run as defined?

A. No.

Q. I'm turning to page 6 of your written testimony.

You are sponsoring S-10.2, are you not, which actually shows up page 7?

A. Yes.

(CASSIDY EXHIBIT NO. 2 WAS MARKED FOR IDENTIFICATION BY THE COURT REPORTER.)

BY MR. TODD:

Q. I'm handing you accounting schedules in this case, so we're all looking at a copy of them when we get around to them.

Could you tell me what Adjustment S-10.2 does?

A. Adjustment S-10.2 represents the Staff's adjustment to the Company's fuel expense based on the Staff's production cost model.

The Staff's annualized fuel and purchased power energy costs represents the cost of producing the purchasing power to meet the level of megawatt-hour sales in the Staff's revenue annualization in this case.

Q. And, once again, you just read that answer from your written testimony?

A. Correct.

Q. What amount of an adjustment does S-10.2 reflect?

A. S-10.2 increases expense by $5,952,145.

Q. And that would be Ameren's expenses?

A. AmerenUE's Missouri.

Q. And that would be expense for fuel. Correct?

A. Correct.

Q. And where does your source data for your calculation in this area come from?

A. For fuel prices I obtained this data from the electric generation report as supplied in Data Request 199 and 319 for both AmerenUE and AEG, which is Ameren Energy Generating Company, for coal, oil, gas, petroleum and shredded tires.

For nuclear fuel prices I obtained the information from Data Request 138 and 99 from the steam electric generating plant statistics report.

Q. And as I read your testimony, it was your

obligation or your task in this area to ascertain these prices and then provide them to Staff Witness Bender, is that correct --

A. That's correct.

Q. -- for use in the production cost model?

A. Yes.

Q. In analyzing these fuel prices -- in obtaining these fuel prices, I should say, did you give any consideration to future events that might possibly affect the price of fuel?

A. My review consisted of looking at historical data through the period ending December 2000.

Q. Should I infer from that that the answer will be no?

A. I did not look at any fuel price information at the time of filing this testimony that occurred beyond December 31, 2000.

Q. Did you take into account any world events?

A. No.

Q. Did you take into account the state of the national economy?

A. No.

Q. Did you take into account whether or not AmerenUE has long-term fuel purchase contracts?

A. Long-term fuel purchase contracts was not part

of my analysis.

Q. You would agree that such a contract would affect the price of fuel?

A. I don't know.

Q. On page 7, starting at line 2, you are testifying, "The Staff used actual fuel prices, which occurred during its update period for the 12 months ending December 31st, 2000. The Staff believes that the most recent 12 months of fuel prices are the best available reflection of ongoing fuel costs."

Did I read that correctly?

A. Yes.

Q. Why have you made that determination?

A. You would have to begin by looking at how UE generates electricity.

UE-Missouri's electricity is generated by coal, nuclear, gas and oil. Those types of fuel are used to generate electricity in Missouri.

Coal represents 70 percent of UE's generation. Nuclear represents roughly 26 percent of its generation.

When I examine coal fuel prices for UE, I found a trend had developed where coal fuel prices were trending downward constantly.

From December 1999 through June of 2000 coal fuel prices had declined at Meramec, Sioux, Labadie and

Rush Island.

From June of 2000 to December of 2000 coal prices declined again at Meramec, Sioux and Labadie, and it increased slightly at Rush Island.

Nuclear fuel prices that I had examined have continuously declined since September 30th, 1999 through December 31st, 2000.

I've also examined nuclear fuel prices beyond that point, and have found that through March 31st, 2001 and June 30th, 2001 nuclear fuel prices continued to decline beyond December 31st, 2000.

Q. Do you know when the rates set in this proceeding will take effect, roughly?

A. I don't know.

Q. Would you agree with me that it's likely to be sometime after 2001?

A. I don't know.

Q. Would you agree with me that it would be at some point after today's date?

A. Yes.

Q. Thank you.

And today is November 28th, 2001?

A. Yes.

Q. So today is almost 11 months after the last date you looked at for coal prices. Is that correct?

A. That's correct.

Q. And the range of coal prices you looked at spanned one year?

A. I looked at coal prices for the calendar year ending 1998, 1999 and 2000. I've also looked at coal prices that the Company has supplied to me through April 30th, 2001.

Q. In your answer just now you discuss the periods from 12-99 to 6-2000, 6-2000 to 12-2000.

How did coal prices fluctuate in the years before that that you apparently also looked at?

A. Coal prices increased for Meramec, Sioux and Labadie from calendar year 1998 through calendar year 1999. For Rush Island coal prices decreased from 1998 through 1999.

Q. So over a period of three years, then, coal prices have gone up and down?

A. Correct.

Q. But in your analysis you're comfortable looking at a declining trend over the last year of your data set, and from that projecting that at some point over a year into the future coal prices will continue to go down?

A. One thing we haven't discussed is Genco coal prices. When I say "Genco," I mean Ameren Energy Generating Company's coal prices.

Newton and Coffeen units represent 72 percent of the generation produced by Ameren Energy Generating Company's coal production. Coal production represents 82 percent of Ameren Energy Genco's generation for the year 2000.

I have found a trend where units -- the units in Newton and Coffeen have decreased continuously from December 1999 through June of 2000, from June of 2000 to December of 2000, and continue to decrease through April 2001.

Q. And that would be a 16-month period?

A. The period I looked at included 28 months.

Q. I'm sorry. So what were the dates on that again?

A. 12 months ending December 31st, 1999, through June 30, 2000, through December 31, 2000, through April 30, 2001.

Q. You stated that you reviewed your workpapers in preparation for this deposition?

A. Correct.

Q. Do you know whether on your workpapers for your annualized fuel cost the Ameren Energy Generating plants appear?

A. The actual fuel prices for Ameren Generation are included in my workpapers.

Q. Were they included in your calculation for the Staff's annualized fuel and purchased power expenses?

A. It's my understanding that Mr. Bender's fuel model runs on a stand-alone basis as filed; however, that model will be updated to include the Genco fuel prices and run on a combined basis.

Q. You didn't perform the calculation for the Staff's annualized fuel and purchased power expenses then?

A. Mr. Bender was the individual who collected the purchased power information and inputted it into the production cost model.

Q. Do you know when this updated or new model will be available?

A. I'm not certain when it will be complete.

Q. Okay. Let me get back to those fuel prices that pertain to your testimony, and that the most recent 12 months of fuel prices are the best available reflection of ongoing fuel costs.

Does that reflect a judgment on your part at all that more recently available data is more reliable?

A. I worked within the parameters of my test year and update period.

Based on the historical analysis that I conducted, I felt that a trend was occurring with fuel prices. And I adopted the most current fuel prices, as I

felt they were the best available reflection of ongoing fuel price.

Q. Does the Staff have a policy at all that guides you in deciding when to take the most recent data versus test year data versus an average?

A. I'm not aware of any policy that exists.

Q. Would that just be a subjective judgment that you make then?

A. A calculation is done to capture the best available reflection of ongoing fuel costs that we can.

Q. And in doing so, is it not true that you make a subjective judgment as to the best analysis of past data to capture that?

A. We make an analysis to determine normal, ongoing, reasonable levels that should be included.

Q. And that analysis as to normal, ongoing, reasonable levels includes a subjective judgment as to the best calculation to perform?

A. A judgment is involved.

Q. On page 7 of your written testimony, on line 8, you state -- or rather I'll start on line 7: "Once annualized fuel and purchased power was calculated using the Staff's production cost model, I checked some of the fuel outputs for reasonableness. Staff witness Bender's production cost model appears to be reasonable."

Did I read that correctly?

A. Yes.

Q. What do you mean by "appears to be reasonable"?

A. In order to check the reasonableness of the production fuel model, I performed some checks to see if the model was reasonable.

Q. And if I can get you to turn to the interrogatories again, the Staff responses to the first set of interrogatories. Let's turn to page 89 and 90, Interrogatory 1995.

Subportion A there asks, Describe in as much detail as you can the methods used by Mr. Cassidy to determine the reasonableness of the results generated by this production cost model.

And you prepared the answer here. Correct?

A. Correct.

Q. And it states here that you performed various historical analysis checks, including fuel price inputs, maximum capacities, plant outage hours, forced outage hours, equivalent availability, capacity factors, total fuel costs per net KWH and energy-generated. Correct?

A. Correct.

Q. Are those all of the checks you performed?

A. As I recall, yes.

Q. In performing these checks did you find any

errors in Staff Witness Bender's work?

A. The only difference I found which raised a question was involved to -- with capacity factors for Sioux and Meramec, which we have subsequently learned that the Staff's fuel model has loaded Meramec before the Sioux plant incorrectly.

Q. Has this subsequently been -- will this be changed in the new model?

A. That -- that error will be addressed in the context of the new model.

Q. You didn't find any other errors?

A. None that I'm aware of.

Q. Have you discussed the production cost model with Staff Witness Bender more recently?

A. We've had general discussions.

Q. Have any other errors in his model come to light that you're aware of?

A. None that I'm aware of.

Q. Okay. What check did you perform regarding fuel price inputs?

A. Mr. Bender printed out fuel price inputs that were built into his production cost model. I took those inputs and verified that they tied to the fuel price numbers that I had supplied to him.

Q. In the context of a generating plant, do you

understand what the term "the unit" means?

A. Generally.

Q. You would agree that a unit is a subsection of a generating plant?

A. Correct.

Q. Are fuel prices provided per unit?

A. Fuel prices are provided by plant, not by unit.

Q. For each plant did you provide Mr. Bender with one set or two sets -- two sets of fuel costs?

A. I don't understand the question.

Q. Okay. How many sets of average fuel prices per month did you provide Mr. Bender with?

A. Are you asking me if I supplied him fuel prices other than for the 12 months ending December 31st, 2000?

A. I'm asking for each month, for each plant -- you provided fuel prices for each plant on a monthly basis. Correct?

A. Correct.

Q. In each month do you provide him with one price or two prices for fuel?

A. I provided him one fuel price by plant by month.

Q. And that was -- that number reflected the average fuel costs for that plant for that month. Is that correct?

A. Yes, as spelled out in the Company's summary cost of fossil fuel used for electric generation report as supplied in data request responses.

Q. Do you have any knowledge of what fuel price the decision whether or not to start up a unit depends on?

A. I don't know.

Q. Did you make any data requests to the Company regarding the fuel price relevant to the start-up of a plant?

A. I did not.

Q. Have you ever heard the term "incremental fuel price"?

A. I may have heard the term, but I couldn't define it. It wasn't part of my analysis.

Q. Okay. The next check this interrogatory response says you did is maximum capacities.

Could you tell us, what is a maximum capacity?

A. It's the highest level of output that the plant is capable of producing.

Q. How is that measured?

Let me give you a different question.

Is that a measured capacity or an actual capacity?

A. It's my understanding that that's the limit at which a company can run its plant.

I guess I was thinking that question in terms of what have I included -- what fuel prices have I included.

And I haven't included any fuel prices beyond December 31, 2000, but I have looked at fuel prices subsequent to December 31 2000.

I have fuel prices updated through April 2001. I've just received in the last week or two additional information that would give me fuel prices through, I believe, at least July 2001.

BY MR. TODD:

Q. Has this updated information borne out your analysis of the earlier prices?

A. The only analysis that I've completed is nuclear fuel prices through June of 2001, and that trend of decreasing downward has continued.

The analysis I performed on coal price through April of 2001 leads me to believe that the trend is continuing to exist.

Q. Okay. Before we took a break we were talking about maximum capacities.

Could you tell me what check you performed of Mr. Bender's work as regards maximum capacities?

A. Mr. Bender supplied me with a workpaper from his production cost model that listed the maximum

capacities, and I believe I checked those against information supplied in the FERC reports.

Q. Okay. The next three areas of checks were planned outage hours, forced outage hours and equivalent availability.

Could you tell me what you did in these areas to check Mr. Bender's work?

A. Mr. Bender supplied me with planned outage hours and forced outage hours that had occurred over the course of five years.

I verified those planned outage hours and forced outage hours against information supplied in Data Requests 4146 and 4114 to ensure that he had included an accurate historical level of those planned outages.

Q. What did you do with regards to equivalent availability?

A. Equivalent availability is the percentage of time that the unit is fully available.

I checked the nuclear and coal plants using a three-year average, 1998 through 2000, and also just a year 2000 analysis, to determine if his levels were consistent with those levels, and they were.

I used the steam electric generation plant report to make those determinations.

Q. Do you know how Staff Witness Bender calculated

Q. Is that limit based on prior experience running that plant or is it something that, say, whoever built the plant has said it could achieve?

A. I don't know.

Q. Okay. Have you ever heard the term "nameplate rating"?

A. Yes.

Q. What is a nameplate rating?

A. It has to do with installed capacity. It's listed in the FERC annual report. I'm not sure that I could define exactly what it means.

Q. You don't know whether the maximum capacity is synonymous with a nameplate rating?

A. I know that they're not synonymous.

Q. Do you know what determines whether or not a plant can achieve its maximum capacity, assuming, of course, the plant is turned on?

MR. ANDERSON: I'd like that break after this line of questioning.

MR. TODD: I'm definitely going to take one.

THE WITNESS: I'm not sure I could explain what variables go into a plant achieving its maximum capacity.

BY MR. TODD:

Q. Do you know whether fuel quality affects whether or not a plant can achieve its maximum capacity?

A. I'm not sure.

Q. Did you perform any analysis in the context of this check, or any other context, for that matter, regarding fuel quality?

A. I did not.

Q. The next three checks you performed --

MR. TODD: I'd like to finish going through all of these before we take a break.

MR. ANDERSON: How long do you think that would be?

MR. TODD: Maybe half an hour.

MR. ANDERSON: We need a break.

MR. TODD: That's fine.

(A RECESS WAS TAKEN.)

BY MR. TODD:

Q. Let's go back.

MR. ANDERSON: John, did you have a clarification?

THE WITNESS: Yes, I have one clarification to make.

MR. TODD: Sure.

THE WITNESS: You asked a question that, I guess, wanted to know if I had looked at fuel price -- if I have not looked at fuel prices in the past eleven months, and I think I said yes to that question.

his numbers for planned outage hours and forced outage hours?

A. I believe Mr. Bender used a five-year average.

Q. And did you check his average?

A. Yes.

Q. And what did you check it against?

A. Using the information supplied in Data Request 4146 and 4114.

Q. What is a capacity factor?

A. It's a factor that tells you how close to 100 percent a plant is being used over a period of time, either by month or year.

Q. Okay. And what do you do to check capacity factors in the context of your response to Interrogatory 95?

A. I used the FERC 1 report for 2000 on a total plant basis for coal and nuclear plants to check Leon's capacity factors.

Q. I'm sorry. I missed the last portion of that.

A. I used the FERC 1 report for 2000 on a total plant basis for coal and nuclear to check Leon's capacity factors.

Q. Were they correct?

A. The only discrepancies I found were on the Meramec and Sioux plant.

I believe after Mr. Bender runs his new production cost model, it will correctly load the Sioux plant before the Meramec plant, and those capacity factors should come into line.

Q. The next area of historical analysis check you say here that you performed is total fuel cost per net kilowatt hour.

How is this number calculated?

A. I'm not sure that I can explain the calculation that the production cost model performs.

My analysis in this area was to take the production cost model's output and compare it to the December 2000 F&S report on page C-4-2, titled Total Fuel Cost Per Total Net KWH, and that was very close and appeared reasonable.

Q. Are you familiar with the term "heat rate"?

A. I've heard the term. I can't define it.

Q. Are you familiar with the term "efficiency deviation factor"?

A. No.

Q. The last check you say you performed here was energy generated. What was that?

A. That check consisted of looking at the total energy generated by the production cost model to see if the ratios of energy generated were falling in line with

what I had presented in my testimony in terms of coal, gas, fuel, oil, nuclear and hydro, to see if those percentages were comparable.

Q. Does energy generated depend on a plant's prior maximum generation?

A. I don't know.

MR. TODD: Could I get you to read back the answer of one question before that.

(THE COURT REPORTER READ BACK THE REQUESTED TESTIMONY.)

BY MR. TODD:

Q. When you say comfortable with ratios presented in your testimony, what testimony are you talking about there?

A. Maybe I should clarify.

I guess present as I calculated in my -- in looking at the information that I had available to me. I don't know that those ratios are supplied in my testimony.

Q. Would those ratios be things that you provided to Mr. Bender?

A. Ratios. I don't recall supplying those ratios to Mr. Bender.

Q. You say total energy generated by the production cost model. So would that be -- would that not be on a plant basis?

A. Mr. Bender's production cost model provides a summary of the energy generated by coal units, gas units, boiling units, nuclear units, hydro.

I merely checked to see that those levels were consistent with what I had seen --

Q. What page?

A. -- in the Company's reports.

Q. What are you referring to? What document are you referring to?

A. Mr. Bender's production cost model produces an energy generated megawatt hour sheet.

Q. And is it by plant or total?

A. This document breaks it out by plant, by unit. I merely checked the totals.

Q. And where did you get the information that you checked those against from?

A. I looked at the generation as reported in the FERC 1 report. I also looked at information supplied in the summary cost of fossil fuel used for the electric generation report.

Q. Do you know whether Mr. Bender's model -- model modeled total energy production?

A. I'm not sure that I understand your question. I would defer the answer -- I would defer that question to Mr. Bender to answer.

Q. Let me break it down a little bit.

Do you know whether Mr. Bender's model includes spot market sales of energy, energy generated for spot market sales?

A. Mr. Bender states in his testimony that the production cost model did not include spot sales.

Q. Do you know whether the information that you used from the Company or FERC 1 or any other source to compare the production cost model outputs to include its spot market sales?

A. The level of spot sales that are included in the case are what occurred during the Company's test year. The Staff made no adjustments to spot sales.

Q. So do you or do you not know whether those documents included spot market sales?

A. I'm not aware of what Mr. Bender looked at in relation to spot sales.

Q. I'm not asking what Mr. Bender looked at. I'm asking whether the documents you compared his results to, whether you know if they included spot market sales.

A. I made no such comparison.

Q. Do you know whether the Company's production numbers include all retail and wholesale production?

A. I don't know.

Q. Okay. Did you check any of the production -- I

take that back.

Do you know whether the production cost model was run on the test year specifically to determine how well it predicts fuel prices?

A. I know that the production cost model included fuel prices for the 12 months ending December 2000.

Q. Do you know whether the production cost model was calibrated to actual production costs?

A. I would defer that question to Mr. Bender.

Q. The answer, then, would be that you do not know?

A. I do not know.

Q. Let me go back to the question I asked you two questions ago, as to whether the test -- the production cost model was run on the test year, and you stated that you know that the production cost model had test year fuel inputs put into it.

Do you know whether the model was ever run in order to see whether or not it could -- given all of the other known data from the test year, whether it accurately predicted test year fuel prices?

A. I believe that the fuel model contains reasonable, ongoing and recurring levels of fuel price as inputs into the model.

Q. You didn't answer my question.

A. Restate the question for me, please.

Q. Did you run the production -- the production cost model for the 12 months ending June 30th, 2000 of Staff's test year using unadjusted numbers?

A. I did not run the Staff's production cost model, if that would be your question. It would have to be answered by Mr. Bender.

Q. Do you think that it might have been a good thing to do to -- in checking the reasonableness of fuel prices kicked out by the production cost model, to test whether or not that model could accurately predict the known test year fuel prices?

A. I believe the Staff ran the fuel model based on the test year fuel prices, and then subsequent to that in our filed testimony we moved to including December 31st fuel prices because fuel prices were trending downward.

Q. Let me try to break this down a little bit.

As I understand it, the production cost model is essentially a large equation. Is that correct?

That's somewhat simplified, but generally speaking.

MR. ANDERSON: I think I'm going to object at this point. This witness has already told you that he is not familiar with the inner workings of the cost model, that Mr. Bender is.

You seem to be, again, focusing on questions that ask him as to the running of the cost model, and I think this witness has already stated that those questions would be answered by Staff Witness Bender.

MR. TODD: It was this witness's obligation to check the reasonableness of fuel prices. And what I'm wondering is whether or not, and if not, why not, the production cost model wasn't calibrated to see whether it accurately predicted known fuel prices. This line of questioning is entirely relevant.

THE WITNESS: My understanding of the production cost model is that it determines the energy costs and fuel consumption necessary to meet -- economically meet AmerenUE's load.

BY MR. TODD:

Q. And the point of the production cost model is to predict those numbers for an unknown future period. Is that correct?

A. The point of the production cost model is to establish just and reasonable, normal, recurring, ongoing levels of fuel expense.

Q. Yes.

But the actual number you're trying to predict is the number you just said. Right?

A. The number it's trying to produce is the number

that reflects normal, recurring, ongoing levels of that expense.

MR. TODD: Can you read back the answer two questions ago, please.

(THE COURT REPORTER READ BACK THE REQUESTED TESTIMONY.)

BY MR. TODD:

Q. Now, if we take a past period, for instance, the test year, looking at the unadjusted data that the Company supplied, we know during that year what energy costs and fuel consumption the Company had in producing its load. Is that correct?

A. I can only speak to what the fuel prices were during the test period.

Q. And it never occurred to you to run the model backwards to see if it actually accurately calibrated or predicted those fuel prices?

MR. ANDERSON: Object. He's already said he didn't run the model.

MR. TODD: I asked him if it ever occurred to him to.

MR. ANDERSON: He didn't run the model.

THE WITNESS: Mr. Bender may have performed such checks. I'm not aware if -- what checks he has performed.

BY MR. TODD:

Q. When about did you get the results of Mr. Bender's analysis timewise?

A. I'm sorry?

Q. Timewise, rough date, when did you get the results of Mr. Bender's model?

A. It was sometime in June 2001.

Q. Any idea roughly when in June?

A. In the second half of June 2001.

Q. Are you aware on what date the Staff filed its rate case against AmerenUE?

I'll just provide that it was July 2nd.

Would you agree on that?

A. July 2nd.

Q. And you performed all of these checks between the time you received the results of Mr. Bender's analysis and the time the case was filed?

A. Yes. Those checks were performed during the latter part of June 2001.

Q. Turn to page 7 of your testimony. Of course you're already there.

You testify about the Callaway refueling. Is that correct?

A. Yes, on page 7 and page 8.

Q. And you're proposing or sponsoring

Adjustment S-10.1?

A. Correct.

Q. Could you tell me what that does?

A. It normalizes the Company's refueling of the Callaway nuclear power plant.

Q. Why is that normalization necessary?

A. Because the Company refuels the Callaway plant on an 18-month cycle. Therefore, the cost of refueling must be normalized to reflect the amount occurred during an average year. That adjustment removes one-third of the cost related to the nuclear plant refueling.

Q. Okay. And you were reading that answer from your testimony on page 8?

A. Correct.

Q. What types of things are included in the refueling cost?

A. The Company workpaper from the second sharing period of the second EARP indicates that replacement power energy, replacement power demand, incremental overtime labor and other expenses comprise that expense.

Q. Do you understand -- have any understanding of how the refueling process affects the Callaway plant's operations?

A. How the expense affects the operations?

Q. How the refueling process affects the plant's

operations.

A. When the Callaway plant is refueled, it is typically down for a month or so, put out of service, until such time that the refueling is completed.

Q. Did you perform any analyses as to the cost of Callaway refueling over time?

A. My analysis of Callaway refueling was limited to the test period. My adjustment identically matches the adjustment the Company made for Callaway refueling costs in the context of the second sharing period of the second EARP.

Q. So you did not look at what it costs for any other factors surrounding prior Callaway refuelings?

A. I did not examine that expense prior to test year.

Q. Did you have any input into the planned and forced outages item in the production cost model?

A. Mr. Bender made that determination of what level of planned and forced outages would be included in the model.

Q. So the answer would be no?

A. No.

Q. Now, you testified earlier -- in fact, it's in your written testimony, at least with regards to fuel prices, that you found the most recent data -- or the most

recent data looked at to be the most accurate. Is that correct?

A. For fuel prices, yes.

Q. For fuel prices, right.

Are you aware that Callaway was refueled in the spring of 2001?

A. Yes.

Q. In your opinion would it be more appropriate to use the Callaway refueling price that you have relied on than it would be to use this more recent data?

A. I don't know what the more recent data reflects, so I can't make any determination.

Q. You would have to look --

A. I'm limited to the scope of the test year and the update period.

Q. How are you limited to the scope of the test year and the update period?

A. That is the parameters from which I'm working under as established.

Q. Were you instructed to only base your calculations on those periods?

A. That was the determination made by the lead auditor and case coordinator of the case.

Q. Were you ever instructed to not look at data outside that, those parameters?

A. No. I looked at data beyond that period to make sure that trends would continue to exist to the extent that I had it available.

Q. In your experience, then, and in your own opinion, would it be more appropriate to look at more recent refueling data for Callaway than it would be to look at test year data?

A. Without seeing that data, I don't know.

Q. What kind of things would you look for in that data to determine whether it be more reasonable to use that data versus the data you did rely on?

A. A determination had to be made whether any changes had occurred that would reflect normal, ongoing, recurring levels of expense that would be different from what was calculated or obtained through the examination of the test period.

Q. You would agree, would you not, that in various areas of its overall proposal, the Staff has relied on three-year, five-year, even ten-year averages of past data in order to make adjustment to test year data?

A. I'm not aware of all of the averages that Staff has used in the context of its -- of calculating adjustments.

I am aware that the Staff used a five-year average of planned and forced outages in use of the

production cost model.

Q. Those averages rely on data outside of the parameters you just defined. Is that correct?

A. The Staff has the right to look at historical data in making a determination of what normal, reasonable, recurring, ongoing levels of expense or revenues are.

Q. But in this area you didn't feel it was necessary to look at prior Callaway refuelings?

A. In this area I did not look at Callaway refueling expense prior to test year. I'm not aware of what those prior refueling costs were.

Q. Did you make a judgment that you wouldn't look at prior Callaway refuelings?

A. I felt that my adjustment was reasonable, in that it matched the same adjustment that the Company had made in the context of the second sharing period of the second EARP. They had made no historical analysis in making their determination of those levels of expense.

(OFF THE RECORD.)

BY MR. TODD:

Q. Okay. Legal fees. Would you turn to page 8 in your testimony.

You're sponsoring Adjustment S-19.4 regarding legal fees. Correct?

A. Yes.

legal fees that Ameren will have to pay?

A. Again, I would say that Staff's adjustment develops normal, ongoing, recurring levels for legal fees.

Q. Mr. Cassidy, do you know what legal fees the Company will have to pay in the future?

A. I'm not sure that anyone can accurately 100 percent state that this is what legal fees will be in the future.

Q. We simply cannot know that because it's in the future. Correct?

A. Correct.

I would state the Company does not know, nor does the Staff know, exactly what exact dollar amount the Company will incur for legal fees in the future.

Q. Actually, you're correct on that.

The purpose of this exercise is to estimate what those future payments and costs will be. Is that not so?

A. The purpose of going to a cash basis of accounting -- or adopting the cash basis of accounting as opposed to the accrual basis is done to eliminate the effect of subjecting customers' rates being increased unnecessarily for activities that aren't actually being performed based on an estimate of what that accrual will be.

MR. TODD: Again, I object to that as being nonresponsive. I didn't ask you why you chose one methodology over another.

BY MR. TODD:

Q. Regardless of the methodology chosen, we could write number on pieces of paper and throw them down the stairs and pick whichever one gets to the bottom, but whatever method we use, isn't it true that the ultimate purpose of this particular exercise is to estimate what future costs of legal fees will be?

A. The purpose is to determine what the normal, recurring, ongoing level will be.

Q. Again, normal, ongoing level is a methodological choice, isn't it?

A. The normal, ongoing level attempts -- by developing the normal, ongoing level we are restating test period data for abnormal nonrecurring items.

I'm just trying to develop what's a normal, ongoing level.

When I look at the Company's accrual of -- in the amount of $2,785,200, which occurred during the test year, and when I look at what actual legal fees expense is during the test period and using the five-year average, that level is significantly higher from what is actually occurring.

Q. Your decision to look for a normal and ongoing level in order to get this future number is a choice of methodology, is it not?

A. That is the Staff's methodology, yes.

Q. And so your methodology of looking for a normal, ongoing level is a methodology just as much as my example of throwing numbers down the stairs, isn't it?

A. In that context, yes, those are two different methodologies.

Q. Putting methodology aside, regardless of the methodology we use, the purpose of this exercise, whatever methodology is used, is to determine what -- is to determine an estimate of what future costs and payments will be. Is that correct?

A. We're trying to determine the normal, ongoing level of costs that will be in effect during the time which rates are in effect.

Q. You put methodology back into your answer, didn't you?

Are you capable of answering this question without referring to your own methodology?

MR. ANDERSON: That's argumentative. You've asked and answered this question three times now.

BY MR. TODD:

Q. Will you agree that normal and ongoing means --

that the term "ongoing" indicates a future level of cost?

A. It attempts to reflect costs that will occur in the future.

MR. TODD: I didn't respond to the objection, by the way.

Certainly asked but never answered.

MR. ANDERSON: He answered the question.

You asked him what the purpose was and he answered it.

MR. TODD: He answered a different question several times. He never answered the question I asked him.

BY MR. TODD:

Q. Mr. Cassidy, what is the purpose of an allocation factor?

A. Allocation factors are used to distribute, for example, expenses to appropriate operating areas of the Company.

We allocate in this -- for this company we allocate expenses between Ameren's Missouri and Illinois operations, and we also allocate some expense between Ameren's electric and gas operations.

Q. What is the labor ratio?

A. I'm not sure I know that allocation factor.

Q. I don't mean the specific number.

I mean, can you describe what labor ratio is?

A. I'm not sure that I could give you a good definition of that.

Q. Do you -- in your analysis have you ever used the labor ratio?

A. In my analysis for legal fees, I used a factor to allocate cost to gas and then to allocate cost to Missouri electric.

Q. Do you know whether or not the factor you used to allocate costs to Missouri electric was the labor ratio?

A. I don't know.

Q. Where did you get -- that would be the 90.11 percent?

A. Correct.

Q. Where did you get that number from?

A. I believe Jim Schweiterman supplied that allocation factor to me.

Q. If you're going to use an allocation factor to divide up accrued funds as of June 30th, 2000, do you think it would be appropriate to use an allocation factor calculated as of June 30th, 2000?

A. My answer would be, that would be one way to conduct those allocations, yes.

Q. Do you think it would ever be appropriate to

use an allocation factor calculated as of another date, or do you simply not know?

A. Another date would be appropriate also.

Q. Are you aware that 90.11 percent is the labor ratio factor calculated as of December 31st, 2000?

A. I don't know.

Q. You are aware that you used this 90.11 number to allocate accrued accruals and expenses as of June 30th, 2000?

A. The 90.11 allocation factor is what I used to allocate expenses, yes.

Q. Let's move on to page 9 of your testimony, where you do an insight into environmental expenses.

Would you tell us what adjustments you're sponsoring in this area?

A. This adjustment adopts the cash-basis approach for environmental expense to eliminate the effect of an approximate 2.5 -- excess $2.5 million excess accrual.

Q. Could you explain to me your understanding of how the Company currently accounts for environmental expenses?

A. Under an accrual basis of accounting, the Company maintains a reserve of accumulated funds which are set aside to pay for environmental costs related to clean-up of contaminated sites. The Company charges major

expenditures directly against the reserve.

Small expenditures are directly expensed to eliminate the constant adjustment of the reserve amount.

Q. And, once again, you just read that from page 10 of your testimony?

A. Correct.

Q. Do you know what the Company considers to be environmental costs?

A. Costs that the Company has estimated that they will incur as part of environmental cleanups that they may be a party to.

Q. So do you know what the Company considers to be a major expenditure?

A. I'm sorry?

Q. Do you know what the Company considers to be a major expenditure?

A. In the context of environmental expense?

Q. In the context of your testimony right here.

A. I'm not certain what the criteria for what level constitutes a major expense.

Q. Would the same answer go for what constitutes a smaller expenditure?

A. Yes, the same answer would apply.

Q. Have you done any analysis yourself to determine what environmental cleanup expenditures the

Company based its accruals on?

A. The Company identified three superfund sites that may be potential sites where they would be involved as the responsible party in the cleanup.

Q. What document are you looking at then?

A. This is Data Request 1013 from the fourth sharing period of the first EARP. I believe that's an Office of Public Counsel data request.

Q. Do you know whether those three superfund sites accounted for all of the environmental expenses the Company accrued funds against?

A. I believe the Company may be involved in the cleanup of manufactured gas plants; however, that doesn't pertain to electric expense.

Q. Do you know whether there are any other electric-related environmental cleanups the Company may be liable for against which to accumulate funds during the test period?

A. Based on the documentation the Company supplied, I believe that to be the basis for their accrual.

However, the Company has accrued expenses for environmental expense for several years in which no expenses -- no actual expenses ever have taken place.

Q. Did he submit any data requests to the Company

to determine what environmental liabilities, if any, it was accruing against?

A. I'm sorry?

Q. Did you submit any data requests or seek information from the Company to determine what environmental expenses it was accruing against?

A. I obtained information from the Company about sites that the Company would be potentially liable to or be a party of in terms of environmental expense, and the Company also supplied actual environmental expenses that it had paid during the 12 months ending June 30, 2000 and the 12 months ending December 31st, 2000.

Q. Did you analyze the Company's estimates of its potential exposure for reasonableness?

A. I looked at the Company's level of accruals that occurred from July 1, 1992 through December 31, 2000.

From July 1, 1992 through June 30th, 1999, the Company had built an accrued reserve balance for environmental expense totaling nearly $5.9 million. During that time period the Company had never spent any money on environmental expense.

During the 12 months ending June 30, 2000, the Company accrued an additional $3 million for environmental expense and incurred only an actual amount totaling $18,123.

During the 12 months ending December 31, 2000, the Company accrued an additional $6 million for environmental expense, yet only incurred an actual level of $84,774.

Therefore, the Company through the 12 -- through the end of December 31, 2000 had accrued $14.9 million, but it had only cumulatively paid $103,000.

This represents an accrued reserve level that is 14,460 -- 14,460 percent higher than what actual expense had occurred.

Q. I object to your entire answer as not responsive and ask you again: Did you perform any analysis of the actual funds the Company accrued to compare it to the Company's potential outstanding environmental liabilities?

A. I did not analyze the Company's determination of its accrual.

Q. Thank you.

Now, in your opinion the Staff's actual cash payments in the environmental area are the best predictor of the Company's future environmental costs.

Would that be correct?

A. The cash basis or cash approach would determine rates based on actual known costs.

I've concluded the highest level of costs that

the Company has incurred since July 1, 1992. That is all of the information I have available to me to look at.

I've been conservative in adopting the highest level of environmental expense that the Company has ever incurred.

Q. If that is all of the information that you've ever looked at, how do you know it's conservative?

A. It's conservative in the context of the information that I've looked at from July 1, 1992 through December 31, 2000.

Q. So looking at the Company's accrual as compared -- and looking at the Company's actual cash payments, in your opinion the Company's actual cash payments are the better predictor of future costs?

A. Considering that the Company's accrual exceeds actual cash payments by levels that reach 14,000 percent, yes, the cash approach avoids unnecessarily increasing the customers rates for activities that are not being performed.

Q. So you would agree in this area that your analysis is predicting what future costs will be?

A. We set rates for a period that occurs in the future, yes.

Q. And so would you agree that the Staff's accrual method -- I'm sorry -- the Staff's methodology provides an

estimate of what actual future payments and costs may be?

A. It develops the best normal, ongoing, recurring estimate that the Staff can calculate, yes.

Q. Estimate of future costs?

A. Yes.

Q. Okay. Do you know whether the Company's outside auditors review its environmental accrual for appropriateness?

A. I don't know if the Company's outside auditors had reviewed that or not.

Q. Okay. We're pretty much done. We're coming down the home stretch.

Mr. Cassidy, are you familiar with the term "intergenerational equity"?

A. No.

Q. Are you familiar with the notion of something being used and useful in the utility context?

A. Yes.

Q. Okay. Would you agree with me that a utility such as AmerenUE constantly faces the risk of environmental liability or an environmental accident?

A. I don't know the answer to that question.

Q. Do you think there is always a minute chance that Callaway might blow up?

A. I don't know the answer to that question.

Q. What is your understanding of used and useful?

A. For the cost of a new plant to be put into service, that plant has to be up and running and functioning. It must be used and useful to be included in rates.

Q. So the central idea there is pretty much that customers should only have to be paid -- only have to pay for what is actually being used to benefit them?

A. In the example that I used, customers should not have to pay for something that is not actually useful to them that is running, that is working.

Q. Would you agree with the inverse of that corollary, which is that customers should have to pay for something that is being used for them?

A. If something is used and useful, should customers have to pay for it?

If it's reasonable and prudently incurred.

Q. Does the Company pay for environmental expenses at the time the environmental liability comes into existence?

A. The Company charges to expense its estimate of what its environmental liabilities will be.

Q. If a transformer was to blow up and cause an environmental hazard, would the Company pay for that environmental hazard then and there or would the bill

arrive at some point down the road?

A. If it's a small cleanup, the bill may -- may be paid at the time of cleanup. If it's large and it's an extended process, then sometimes, yes, a bill could -- could occur after the cleanup takes place.

Q. So you would agree that the cleanup and the billing process post-date the time the environmental liability comes into existence?

A. There can be a timing difference.

Q. Did you say a time difference or a timing difference?

A. Timing difference.

Q. Timing. Okay.

And under your cash accounting basis, it is those customers who are around at the time that the bill shows up who foot the bill for these environmental liabilities. Is that correct?

A. As opposed to the Company's accrual method which makes customers pay unnecessarily for services that have not yet been performed.

Q. Is the answer to my question yes?

A. The answer to your question is cash approach adopts actual expenses and that's -- that's the way the method -- that's what the method has to use, actual expense. So customers are paying for actual expense.

Q. Actual expenses are billed when the bill shows up. Is that correct?

A. That's correct.

Q. Let's go ahead and turn to Schedule 3 attached to your testimony.

And this is your calculation for your actual expense adjustments?

Is that correct?

A. Yes.

Q. The first line here, total accrual for 12 months ending June 30th, 2000, $3 million.

Did I read that correctly?

A. Correct.

Q. And you are subtracting -- I'm sorry.

You're multiplying that by the allocation factor of 90.11 percent. Is that correct?

A. That's correct.

Q. And, again, is it still correct that you are unaware of whether that 90.11 number is the labor ratio?

A. That factor was supplied to me by Jim Schweiterman. I'm unaware of what that factor represents.

Q. And you're not aware as to what date that was calculated?

A. I'm not aware.

Q. Okay. The $2,703,300 number is the result of

that multiplication?

I'm sorry. The next number down.

A. Yes --

Q. Okay.

A. -- $2,703,300.

Q. And in the next line you are subtracting from that the 2000 -- 210,683 amount?

A. Correct.

Q. And that number reflects?

A. That number reflects the allocated level of gas receipts that the Company received for a manufactured gas plant cleanup. And that amount totaled $125,909.

It also includes actual environmental expense that occurred through the 12 months ending December 31, 2000, in the amount of $84,774.

Q. Isn't it appropriate to subtract a number of quantified as of December 31st, 2000 from a number quantified as of June 1st, 2000?

A. By doing that I am adopting the highest level of expense that I'm aware of which occurred during December 31, 2000. That was the rationale behind adopting the December level of expense to include.

Q. So you manipulated your process here to reflect your subjective judgment that you're being conservative in the Company's favor here?

A. I would not use the word "manipulated." I did not manipulate the numbers.

I merely was attempting to be conservative. I merely attempted to take the highest known level of actual cash expense the Company had incurred related to environmental expense and include that in my calculation.

MR. TODD: You're free to go.

JOHN P. CASSIDY

subscribed and sworn to before me this day of , 2001.

Notary Public in and for County
State of Missouri

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

I, Patricia A. Stewart, RPR, CCR, CSR, Registered Merit Reporter with the firm of Associated Court Reporters, Inc. do hereby certify that pursuant to notice, there came before me,

JOHN P. CASSIDY,

at the Governor Office Building, Room 810, in the City of Jefferson, County of Cole, State of Missouri, on the 28th day of November, 2001, who was first duly sworn to testify to the whole truth of his knowledge concerning the matter in controversy aforesaid; that he was examined and his examination was then and there written in machine shorthand by me and afterwards typed under my supervision, and is fully and correctly set forth in the foregoing pages; and the witness and counsel waived presentment of this deposition to the witness, by me, and that the signature may be acknowledged by another notary public, and the deposition is now herewith returned.

I further certify that I am neither attorney nor counsel for, nor related to, nor employed by any party to said action in which this deposition is taken; and further, that I am not a relative of employee of any attorney or counsel employed by the parties hereto, nor finally interested in this action.

Given at my office in the City of Jefferson, State of Missouri, this 29th of November, 2001.

Patricia A. Stewart, RPR, CSR, CCR
Registered Merit Reporter

November 29, 2001

Public Service Commission
Governor Office Building
Jefferson City, Missouri 65101

ATTN: Eric Anderson

In Re: Case No. EC-2002-1

Dear Mr. Anderson:

Please find enclosed your copy of the deposition of John P. Cassidy taken on November 28, 2001 in the above-referenced case. Also enclosed is the original signature page and errata sheet.

Please have the witness read your copy of the transcript, indicate any changes and/or corrections desired on the errata sheet, and sign the signature page before a notary public.

Please return the errata sheet and notarized signature page to Mr. Todd for filing prior to trial date.

Thank you for your attention to this matter.

Sincerely,

Patricia A. Stewart

Patricia A. Stewart

Encl:

CC: Gordon D. Todd

Exhibit No.:	
Issues:	Fuel Expense, Legal Fees Callaway Refueling, Environmental Expense
Witness:	JOHN P. CASSIDY
Sponsoring Party:	MoPSC Staff
Type of Exhibit:	Direct Testimony
Case No.:	EC-2002-1
Date Testimony Prepared:	July 2, 2001

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

JOHN P. CASSIDY

UNION ELECTRIC COMPANY,
d/b/a AMERENUE

CASE NO. EC-2002-1

Cassidy 1
EXHIBIT
Pcd 11-28-01

Jefferson City, Missouri
July 2001

****Denotes Proprietary Information****

P

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DIRECT TESTIMONY OF

JOHN P. CASSIDY

UNION ELECTRIC COMPANY,

d/b/a AMERENUE

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DIRECT TESTIMONY

OF

JOHN P. CASSIDY

UNION ELECTRIC COMPANY,

d/b/a AMERENUE

CASE NO. EC-2002-1

Q. Please state your name and business address.

A. John P. Cassidy, 815 Charter Commons, Suite 100B, Chesterfield, Missouri 63017.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission (Commission) as a Regulatory Auditor.

Q. Please describe your educational background.

A. I graduated from Southeast Missouri State University, receiving a Bachelor of Science degree in Business Administration, with a double major in Marketing and Accounting in 1989 and 1990, respectively.

Q. What has been the nature of your duties while in the employ of this Commission?

A. Since joining the Commission Staff in 1990, I have directed or assisted with audits and examinations of the books and records of utility companies operating within the state of Missouri. I have also conducted numerous audits of small water and sewer companies in conjunction with the Commission's informal rate proceedings.

Q. Have you previously filed testimony before this Commission?

A. Yes, I have. Please refer to Schedule 1, which is attached to my direct testimony, for a list of cases in which I have previously filed testimony.

Q. With reference to Case No. EC-2002-1, have you made an examination of the books and records of Union Electric Company, d/b/a AmerenUE (Company or AmerenUE)?

A. Yes, in conjunction with other members of the Commission Staff (Staff).

Q. What is the purpose of your direct testimony?

A. My direct testimony will discuss the following items: fuel expense, Callaway refueling adjustment, legal expense and environmental expense.

Q. What Income Statement adjustments are you sponsoring?

A. I am sponsoring the following adjustments, which appear on Accounting Schedule 10, Adjustments to Income Statement.

Callaway Refueling Adjustment	S-10.1
Fuel Expense	S-10.2
Environmental Expense	S-19.1
Legal Fees	S-19.4

Overview of AmerenUE Electric Generation

Q. Please list the generating facilities that AmerenUE owns and operates for the production of electric power and include a description of each facility.

A. AmerenUE owns the following generating facilities:

Nuclear

Callaway: Callaway is located ten miles southeast of Fulton, Missouri in Callaway County, Missouri. Callaway is AmerenUE's **1134** megawatt net

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generating capacity base load, nuclear power plant which is powered by uranium. The uranium is used in a process called nuclear fission that heats water into steam. The steam, under pressure, spins the blades of a turbine, which in turn spins a generator that creates electricity.

Coal

Labadie Units 1 – 4: Labadie is located near Labadie, Missouri, adjacent to the Missouri River approximately 35 miles west of downtown St. Louis. Labadie is the largest of AmerenUE's fossil fuel plants. Its four coal fired generating units are capable of producing **2299** megawatts. Labadie serves as a base load plant and predominately burns **Powder River Basin Coal**.

Sioux Units 1 – 2: Sioux is located in St. Charles County, Missouri near West Alton, Missouri. Sioux is the third largest of AmerenUE's fossil fuel plants. Its two units are capable of generating **950** megawatts of electricity. The Sioux plant utilizes coal as its primary fuel source, but also uses petroleum coke and tire chips as supplemental fuel sources.

Rush Island Units 1 – 2: Rush Island is located approximately eight miles south of Festus, Missouri in Jefferson County, Missouri. Rush Island's two units provide **1196** megawatts of total net generating capacity. These plants burn **Powder River Basin Coal** as their source of fuel.

Meramec Units 1 – 4: Meramec is located on the Mississippi River in South St. Louis County, Missouri. Meramec can deliver **845** megawatts of electricity with its four generating units. Meramec can burn **Illinois coal or Powder River Basin Coal**. However, two of Meramec's units can also be fired for full load

with natural gas – the only plants in the AmerenUE system that can use both natural gas and coal as fuel sources.

Gas/Oil Units

Venice Units 3 – 6, & Combustion Turbine Generator (CT): Venice is located on the Mississippi River in Venice, Illinois. Venice operates as a "peaking" plant, producing power when needed to meet peak summer demand or compensating for another plant that is down for repairs. The plant operates and maintains one CT at Venice and one jet engine generator in West St. Louis County. On August 10, 2000, a fire occurred at the Venice plant causing Units 1-6 to be forced out of service. Units 5 and 6 were restored on August 30, 2000. Units 3 and 4 are expected back in service sometime during 2001. The Company plans to retire Units 1 and 2 due to the extensive damage. When fire repairs are completed this year, capacity is expected to be at least **360** megawatts. The Venice plants are powered by natural gas and No. 2 fuel oil.

Meramec – CT 1 – 2: Meramec Unit 1 has a net generating capacity of **50** megawatts and burns fuel oil, propane and natural gas. Meramec Unit 2 came on line in June of 2000 and provides a net generating capacity of **62** megawatts and burns fuel oil as its source of fuel. These CT units, as well as the ones discussed below, primarily function as peaking units to meet spikes in electricity demand.

Kirksville – CT: Kirksville has a net generating capacity of **13** megawatts and uses natural gas as its sole source of fuel.

Viaduct – Cape Girardeau – CT: Viaduct has a net generating capacity of **25** megawatts and uses natural gas as its only source of fuel.

Fairgrounds – CT: Fairgrounds has a net generating capacity of **55** megawatts and burns fuel oil as its only source of fuel.

Howard Bend – CT: Howard Bend has a net generating capacity of **43** megawatts and burns fuel oil as its sole source of fuel.

***Moberly, Mexico & Moreau* – CT's:** Each of these CTs has a net generating capacity of **50** megawatts and rely on fuel oil as their only source of fuel.

Hydroelectric

Osage Units 1 – 8: The Osage plant at Bagnell Dam is located in Lakeside, Missouri on the Osage River at the Lake of the Ozarks. Osage provides power through hydroelectricity. As water passes through the dam, the pressure of falling water spins water wheels, which drive generators that produce electricity. Osage has a generating capacity of **212** megawatts and operates at the least cost of all the energy producers in the AmerenUE system.

Keokuk Units 1 – 15: Keokuk plant and dam are located on the Mississippi River at Keokuk, Iowa. Keokuk has a generating capacity of **125** megawatts and also provides power through hydroelectricity.

Pumped Storage

Taum Sauk Units 1 – 2: Taum Sauk is located near Lesterville, Missouri in Reynolds County. The plant has a net generating capacity of **430** megawatts and is used primarily on a peaking basis by being put into operation when the demand for electricity is at its greatest. The pump storage system at Taum Sauk works much like a dam, but is primarily used to meet daily peak power demands for short periods of time and also during emergencies. Water is stored in an upper reservoir and is

released to flow through turbines into a lower reservoir during these high energy demand periods. As water passes through the powerhouse, water spins the turbines, which drive generators to produce electricity. Then overnight, when the demand for electricity is low, the water is pumped back into the upper reservoir, where it is stored until needed again.

FUEL EXPENSE

Q. What was your responsibility in this case with regard to the area of fuel expense?

A. My responsibility was to provide current fuel prices for both AmerenUE and American Energy Generating Company (Genco), which is an affiliated generation company also owned by AmerenUE's parent corporation, Ameren Corporation, to Staff witness Leon C. Bender of the Engineering Section of the Energy Department. Staff witness Bender input these current fuel prices into the RealTime™ production cost model (production cost model or fuel model). Staff witness Lena M. Mantle of the Energy Department provided to Staff witness Bender the annualized net system load (sales adjusted for line losses and Company use). Please refer to Staff witness Mantle's testimony for a complete discussion of the Staff's calculation of net system load. Staff witness Bender input fuel prices, purchased power data, annualized net system load and other components into the production cost model. The Staff used the production cost model to calculate the annualized fuel and purchased power expense.

Q. How did you determine the fuel prices for each of the Company's generating plants?

A. The Staff obtained actual fuel prices for each of the Company's generating plants from Company fuel reports. The Staff examined fuel prices paid by the Company

during its test year ending June 30, 2000 and also over a three-year period covering January 1, 1998 through December 31, 2000. The Staff used actual fuel prices, which occurred during its update period for the 12 months ending December 31, 2000. The Staff believes that the most recent 12 months of fuel prices are the best available reflection of ongoing fuel costs.

Q. Did you perform other analysis regarding the area of fuel?

A. Yes. Once annualized fuel and purchased power was calculated using the Staff's production cost model, I checked some of the fuel outputs for reasonableness. Staff witness Bender's production cost model appears to be reasonable.

Q. Please explain adjustment S-10.2, which adjusts the Company's level of fuel expense.

A. Adjustment S-10.2 represents the Staff's adjustment to the Company's fuel expense based on the Staff's production cost model. The production cost model performs an hour-by-hour chronological simulation of AmerenUE's generation and power purchases. The model also determines energy costs and fuel consumption necessary to economically meet AmerenUE's load. The Staff's annualized fuel and purchased power energy costs represents the cost of producing and purchasing power to meet the level of megawatt-hour (MWH) sales in the Staff's revenue annualization in this case. For a complete discussion of the Staff's production cost model, please refer to Staff witness Bender's direct testimony.

CALLAWAY REFUELING

Q. Please explain adjustment S-10.1.

A. Adjustment S-10.1 removes **$13,223,334** from the Staff's cost of service calculation in order to normalize the Company's refueling of the Callaway nuclear power plant, which occurred during October 1999, within the Staff's test year ending June 30, 2000. The Company refuels the Callaway plant on an eighteen-month cycle. Therefore, the cost of the refueling must be normalized to reflect the amount incurred during an average year. This adjustment removes one third of the costs related to the nuclear plant refueling.

LEGAL FEES

Q. Please explain how the Company accounts for the legal fees that are the subject of the Staff's adjustment.

A. The Company's treatment for these legal fees is based on accrual accounting. Under this accrual basis, the Company maintains a reserve of accumulated funds to pay for legal fees based on estimates of legal fees that the Company anticipates will be incurred rather than for what is actually paid. Accruals to increase the reserve are expensed and actual claims are charged against the reserve balance when paid. The following example shows journal entries that the Company records when it accrues for legal expense and then subsequently pays for legal expense.

Accrual

Debit (DR) Legal Services Expense

Credit (CR) Law Expense Accrual Reserve

Payment

DR Law Expense Accrual Reserve

CR Accounts Payable

Q. Please explain the Staff's proposed adjustment S-19.4 to legal fees.

A. During the test year ending June 30, 2000, the Company accrued, for Missouri electric operations, approximately **$2,432,695** of legal fees; however, the Company actually paid only **$1,645,760** for legal fees during the same period. This resulted in an excess accrual of **$786,935** for the Company's Missouri electric operations, relating to legal fees. By completing adjustment S-19.4, the Staff proposes to remove the **$786,935** of excess accrual over actual cash payments, in order to treat legal fees under a cash basis approach. Additionally, the test year **$1,645,760** level of actual legal expense included by the Staff is **$168,373** higher than the actual level of legal expense experienced by the Company for the calendar year ending December 31, 2000, which was **$1,477,387.** The Staff's calculation of adjustment S-19.4 is shown on Schedule 2, which is attached to this direct testimony.

Q. Why does the Staff recommend a cash basis approach for the Company's legal fees?

A. The Staff recommends using a cash basis approach to account for the Company's legal fees in order to eliminate the impact of the excess accrual. The cash approach will include an ongoing level of this expense in the Staff's cost of service calculation based on actual known costs, as opposed to the Company's accrual basis, which relies upon an estimate of what actual future payments and costs will be. The Staff's adjustment is reasonable because it allows the Company recovery of its actual legal fees payments in the context of its cost of service calculation.

ENVIRONMENTAL EXPENSE

Q. Please explain how the Company accounts for environmental expense.

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A. Using an accrual basis of accounting, the Company maintains a reserve of accumulated funds, which are set aside to pay for environmental costs related to clean-up of contaminated sites. The Company charges major expenditures directly against the reserve. Small expenditures are directly expensed, to eliminate the constant adjustment of the reserve amount. The following example demonstrates journal entries that the Company records when accruing and then subsequently paying for environmental expense.

Set up of Reserve

DR Administrative & General Expenses - Miscellaneous

CR Clean-up of Contaminated Facilities - Non-Current Portion

Payment

DR Reserve

CR Accounts Payable

Q. How did the Company account for environmental expense during the test year ending June 30, 2000 and the update period ending December 31, 2000?

A. During the test year and update period, the Company accrued **$3,000,000** and **$6,000,000** respectively, for environmental expenses. During the test period, the Company charged to expense actual payments of **$196,144** related to environmental expenses. Approximately **$20,612** of the **$196,144** related to an electric transformer spill clean-up, while the remaining **$175,532** related to a Manufactured Gas Plant (MGP) clean-up in Columbia, Missouri. Also, during the test year the Company received **$322,053** from United Cities Gas Company for future clean-up of a Manufactured Gas Plant in Keokuk, Iowa. During the update period, the Company charged to expense actual payments of **$127,709**

related to environmental expenses. Approximately, **$42,935** of this update period amount related to labor expense that has already been addressed by the Staff through its payroll annualization, leaving **$84,774** which related to actual non-labor environmental expense. For a complete discussion of the Staff's payroll annualization, see Staff Accounting witness Mark D. Griggs' direct testimony.

Q. How did the Staff treat the expenses paid by AmerenUE, and the payments received by AmerenUE, which related to MGP clean-up during the Staff's test year?

A. The Staff contends that the **$175,532** of MGP clean-up expense as well as the **$322,053** of funds received from United Cities Gas Company for future MGP clean-up have been incorrectly booked to electric operations, and should instead be booked to AmerenUE gas operations. This left a negative **$125,909 balance ($322,053 - $175,532 - $20,612)** of cash payments and receipts in environmental expense for the test year. Since the MGP clean-up amounts relate to AmerenUE's gas operations, the Staff removed the negative balance of environmental cash payments and receipts totaling **$125,909** in the context of adjustment S-19.1, which is explained next.

Q. Please explain the Staff's adjustment S-19.1 to the Company's environmental expense.

A. The Staff believes that the **$84,774,** which relates to actual non-labor environmental expense, that the Company incurred during the twelve months ending December 31, 2000, should be included in the cost of service calculation as an ongoing level of electric environmental expense. By including the update period level of actual expense of **$84,774** which is greater than the **$20,612** level that was incurred by the Company during the test year, the Staff is attempting to be conservative in its

treatment of actual non-labor related environmental expenses. The Staff has prepared the following chart which shows the Company's annual level of accrual as well as total *accrued balance* for environmental expense as compared to levels of actual cash payments for environmental expense for the twelve-month periods ending June 30, 1993 through June 30, 2000 as well as for the update period for the calendar year ending December 31, 2000:

**

Year	Accrual	Accrued Balance	Cash Payment	Non-Labor Cash Payment
June 30, 1993	$0	$1,637,065	$0	$0
June 30, 1994	$0	$1,637,065	$0	$0
June 30, 1995	$0	$1,637,065	$0	$0
June 30, 1996	$0	$1,637,065	$0	$0
June 30, 1997	$1,500,000	$3,137,065	$0	$0
June 30, 1998	$ 750,000	$3,887,065	$0	$0
June 30, 1999	$2,000,000	$5,887,065	$0	$0
June 30, 2000	$3,000,000	$8,887,065	$20,612	$18,123
Dec. 31, 2000	$6,000,000	$14,887,065	$127,709	$84,774

**

This chart shows that by the end of the Staff's update period, the Company had a total accrued balance of **$14,887,065,** but had only cumulatively paid **$102,897** for actual non-labor related electric environmental clean-up costs since July 1, 1992. The calculation for Staff adjustment S-19.1 is shown below:

**

Accrual	$3,000,000	Environmental Accrual
Multiplied By	90.11%	Missouri electric allocation factor
	$2,703,300	Missouri allocated accrual
Less	$ (84,774)	Non Labor related electric environmental expense
Less	$(125,909)	Related to MGP clean-up
Staff Adjustment	$2,492,617	

**

Staff's adjustment S-19.1 proposes to remove the **$2,492,617** of excess environmental expense accrual made by the Company in order to treat environmental expenses under a cash basis approach. Please refer to the Staff's workpaper for environmental expense, which is attached to this direct testimony as Schedule 3.

Q. Why does the Staff recommend a cash basis approach for the Company's environmental expenses?

A. The Staff recommends using a cash basis approach to account for the Company's environmental expenses in order to eliminate the impact of the **$2,492,617** of excess accrual from its cost of service calculation. Since 1992, the Company has not actually incurred a level of expense to justify this level of accruals that it has booked. By continuing to over accrue in this manner, the customer's rates are subject to being increased unnecessarily for activities that are not actually being performed. The cash approach proposed by the Staff will provide a determination of rates based on actual known costs as opposed to the Company's accrual basis, which relies upon an estimate of what actual future payments and costs may be.

Q. What explanation has the Company provided for its environmental accruals?

A. The Company has indicated that it needs to make accruals now for future environmental costs. The Staff believes this is unreasonable because the actual timing and the amount of these expenditures are still largely unknown. Another variable that must be considered is how much money from other entities liable for the clean-up, as well as insurance proceeds, will be available to AmerenUE in order to help fund any possible future environmental costs. The United Cities Gas Company payment that the

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Company received demonstrates this point, even though it applies to AmerenUE gas operations.

Q. Does this conclude your direct testimony at this time?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

The Staff of the Missouri Public Service Commission,	)	
	)	Case No. EC-2002-1
Complainant,	)	
vs.	)	
	)	
Union Electric Company, d/b/a AmerenUE,	)	
	)	
Respondent.	)	

AFFIDAVIT OF JOHN P. CASSIDY

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

John P. Cassidy, is, of lawful age, and on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 14 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

John P. Cassidy

Subscribed and sworn to before me this 29th day of June, 2001

Notary Public

TONI M. CHARLTON
NOTARY PUBLIC STATE OF MISSOURI
COUNTY OF COLE
My Commission Expires December 28, 2004

RATE CASE PROCEEDING PARTICIPATION

JOHN P. CASSIDY

COMPANY	CASE NO.
Missouri Cities Water Company	WR-91-172
Missouri Cities Water Company	SR-91-174
St. Louis County Water Company	WR-91-361
Southwestern Bell Telephone Company	TC-93-224
Laclede Gas Company	GR-94-220
Empire District Electric Company	ER-95-279
Imperial Utility Corporation	SC-96-247
St. Louis County Water Company	WR-97-382
Laclede Gas Company	GR-98-374
United Water Missouri, Inc.	WR-99-326
Union Electric Company	EC-2000-795
Union Electric Company	GR-2000-512

Schedule 1

Union Electric Company
Legal Fees
12 Months Ending June 30, 2000
Source: DR 258

Year	(Provision) Expense	(Charges) Payments	Annual Cumulative Excess Accrual
1998			
January	87,000	156,798	(69,798)
February	87,000	125,299	(108,097)
March	87,000	411,861	(432,958)
April	87,000	148,029	(493,987)
May	87,000	372,080	(779,067)
June	587,000	207,575	(399,642)
July	87,000	133,028	(445,670)
August	87,000	323,191	(681,861)
September	1,087,000	347,389	57,750
October	87,000	274,827	(130,077)
November	87,000	223,775	(266,852)
December	87,000	131,730	(311,582)
Total	2,544,000	2,855,582	(311,582)
1999			
January	250,000	81,377	168,623
February	250,000	139,117	279,506
March	250,000	100,405	429,101
April	250,000	147,668	531,433
May	250,000	144,697	636,736
June	250,000	339,624	547,112
July	250,000	181,314	615,798
August	250,000	122,737	743,061
September	250,000	144,001	849,060
October	250,000	149,528	949,532
November	250,000	235,423	964,109
December	250,000	119,694	1,094,415
Total	3,000,000	1,905,585	1,094,415
2000			
January	214,200	77,681	683,822
February	214,200	204,241	693,781
March	214,200	174,416	733,565
April	214,200	108,954	838,811
May	214,200	158,420	894,591
June	214,200	212,545	896,246
July 1999 - June 2000	2,785,200	1,888,954	896,246
Payments for current period		263,143	(263,143)
Payments for prior period		(267,861)	267,861
Adjusted July 1999-June 2000	2,785,200	1,884,236	900,964
Total Electric Factor	96.93%	96.93%	96.93%
Allocation to Total Electric	2,699,694	1,826,390	873,304
Missouri Electric Factor	90.11%	90.11%	90.11%
Missouri Electric O & M	2,432,695	1,645,760	786,935

Total Electric Factor Calculation:

	Accrual	% ages	6 mos. allocators	Simple Weighted Allocation
July 1999 - December 1999	1,500,000	53.86%	96.9740%	52.23%
January 2000 - June 2000	1,285,200	46.14%	96.8820%	44.71%
	2,785,200	100.00%		96.93%

Schedule 2
PROPRIETARY

Union Electric Company
Environmental Expense

Total Accrual for 12 mos ending June 30, 2000	3,000,000
Allocation Factor for Mo. Elec.	90.11%
Mo. Electric allocated per book accrual	2,703,300
Mo Electric Cash Receipts Related to Gas for 12 mos ending June 30, 2000 and actual mo electric cleanup expense for 12 mos. ending December 31, 2000.**	210,683
Staff Adjustment	(2,492,617)

** See DR 292 and Calculation below:

Net gas receipts	139,728
Allocation factor to Mo	0.9011
Allocated Gas Receipts	125,909
Charges to Mo Electric	127,709
Less labor included in staff payroll annualization	(42,935)
Allocated to Mo Electric	84,774
Allocated Gas Receipts	125,909
Charges to Mo Elec. net of labor	84,774
Gas Receipts & Actual charges to Mo Electric	210,683

Schedule 3
PROPRIETARY