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Witness: Emma N. Cruthis
Sponsoring Party: Union Electric Company
Type of Exhibit: Direct Testimony
Case No.: GR-2010-_____
Date Testimony Prepared: June 11, 2010

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. GR-2010-_____

DIRECT TESTIMONY

OF

EMMA N. CRUTHIS

ON

BEHALF OF

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

**St. Louis, Missouri
June, 2010**

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1 **DIRECT TESTIMONY**

2 **OF**

3 **EMMA N. CRUTHIS**

4 **CASE NO. GR-2010-_____**

5
6 **I. INTRODUCTION**

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

8 A. My name is Emma N. Cruthis, AmerenEnergy Fuels and Services
9 Company ("AFS") and my business address is One Ameren Plaza, 1901 Chouteau
10 Avenue, St. Louis, Missouri 63103.

11 **Q. What is your position with AFS?**

12 A. I am a Managing Executive in Gas Supply. I am responsible for gas
13 supply acquisition, price hedging, transportation and storage capacity acquisition, daily
14 system operations, Actual Cost Adjustment ("ACA") Audits, Purchased Gas Adjustment
15 ("PGA"), and other regulatory issues for Union Electric Company d/b/a AmerenUE
16 ("AmerenUE" or "Company"). I also participate in proceedings before the Federal
17 Energy Regulatory Commission ("FERC") involving AmerenUE's interstate pipeline
18 suppliers and before the Missouri Public Service Commission ("MPSC").

19 **Q. What is the function of AFS?**

20 A. AFS is an affiliate of AmerenUE. AFS is charged with acquiring and
21 managing natural gas and generation fuel resources for Ameren Corporation ("Ameren")
22 subsidiaries, including its gas distribution utility, AmerenUE, and power generation
23 companies.

24 **Q. Please describe your educational background and employment**
25 **experience.**

1 A. I have a Bachelor of Science-Mathematics (1988) and Master of Science
2 Degree-Mathematics/Statistics (1991) from Southern Illinois University at Edwardsville
3 (SIUE). While a graduate student at SIUE, I taught undergraduate classes in
4 Mathematics. From 1990 to May 1992, I taught Mathematics at Blackburn College. I
5 have also taught Mathematics at Lincoln Land Community College and Southwestern
6 Illinois College. From June 1992 to March 1998, I was a Gas Planning Analyst of Gas
7 Supply for Central Illinois Public Service Company where I was responsible for analysis
8 to support supply and capacity decisions, O&M budgets, capacity release and purchased
9 gas supply. In March of 1998, after the merger of Central Illinois Public Service
10 Company ("CIPS") with Union Electric Company ("UE"), which formed Ameren
11 Corporation, I continued as an Analyst for CIPS and UE. In September of 1998, I was
12 promoted to (Lead) Gas Supply Executive responsible for obtaining reliable and
13 economic gas supply, hedging, transportation capacity, capacity release, and analysis. In
14 April of 2005, I was promoted to my current position.

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

16 A. My testimony is focused on AmerenUE's proposal to consolidate the
17 Rolla Area Incremental PGA and ACA account into a Single AmerenUE PGA and total
18 ACA Account.

19 **II. HISTORY OF THE ROLLA AREA SYSTEM**
20 **AND THE RELATED PGA COSTS**

21 **Q. What is the "Rolla Area System"?**

22 A. The Rolla Area System consists of the communities of Rolla, Owensville,
23 and Salem, which were acquired from Aquila, Inc. in 2004, in Case No. GM-2004-0244.
24 At the time, the gas supply delivered to the Rolla system was transported through two

1 intrastate pipelines, the then Missouri Pipeline Company LLC (“MPC”) and Missouri
2 Gas Company (“MGC”).

3 **Q. Please explain the history of the Rolla Area Incremental PGA.**

4 A. When AmerenUE acquired the Rolla System from Aquila in 2004,
5 AmerenUE proposed combining the Rolla Area into the area served by Panhandle
6 Eastern Pipeline Company (“PEPL”). The case was eventually settled so that one
7 hundred percent (100%) of MGC reservation costs and one hundred percent (100%) of
8 the MGC variable costs would be used to establish an incremental PGA, added to the
9 PEPL PGA rate, for the Rolla Area customers. The MPC reservation and variable costs
10 were included in the total PEPL Area PGA because MPC served both the PEPL Area and
11 the Rolla Area.

12 **Q. When did AmerenUE enter into these contracts with MGC and MPC?**

13 A. Those contracts were not negotiated by AmerenUE. Rather, when
14 AmerenUE acquired the Rolla System from Aquila, AmerenUE was assigned the
15 respective MPC and MGC intrastate pipeline transportation contracts. The MGC
16 contracts dated back to the mid-1990s when MGC was built, when shippers committed to
17 enough capacity to support the project being built.

18 **Q. Has AmerenUE taken steps to consolidate the Rolla PGA in a larger**
19 **customer group PGA since the 2004 acquisition?**

20 A. Yes, AmerenUE has been working towards that goal since the acquisition
21 of this portion of the Rolla Area System. In AmerenUE’s rate case filed in 2006, Case
22 No. GR-2007-0003, AmerenUE proposed a single PGA rate mechanism to combine its
23 four separate PGA rate areas under a single PGA rate common to all four gas distribution
24 operation regions. As part of the rate case settlement, it was agreed upon by all parties in

1 the case that AmerenUE would have a state-wide single PGA rate for all districts
2 including a PGA Transition Mechanism (charge/credit), with the exception that the Rolla
3 Area customers served from MGC would continue to pay the MGC transportation
4 charges through the incremental PGA in addition to the single PGA rate. At that time,
5 MGC was still an intrastate pipeline regulated by the Missouri Public Service
6 Commission.

7 **Q. Have the circumstances around the PGA rates changed since the last**
8 **time AmerenUE had a gas rate case pending before the Commission?**

9 A. Yes, there have been substantial changes. The most significant change is
10 that constituent entities MPC, MGC, and Missouri Interstate Gas LLC ("MIG")
11 combined to form MoGas Pipeline, LLC ("MoGas"), an interstate pipeline governed by
12 FERC, effective June 1, 2008. MoGas' tariffs have two zones of service, Zone 1
13 (formerly MPC and MIG) and Zone 2 (formerly MGC).

14 **Q. How will this change impact AmerenUE's natural gas customers?**

15 A. At this time, the answer to that question is not clear. However, the change
16 did provide the Company with the opportunity to shed capacity that was no longer needed
17 for the Rolla Area.

18 **Q. Please explain how this provided AmerenUE with an opportunity to**
19 **shed capacity. Couldn't AmerenUE have reduced capacity on MGC prior to the**
20 **creation of MoGas?**

21 A. No. The Company would have liked to have done so, but as explained
22 above, AmerenUE was assigned the contracts, through the acquisition, that MGC was
23 unwilling to modify. However, when the three pipelines became MoGas on June 1, 2008,

1 two zones were established. AmerenUE was required to enter into new contracts which
2 allowed the Company to reduce the capacity level for deliveries in Zone 2.

3 **Q. What is the reduced contract Maximum Daily Contract Quantity**
4 **(“MDCQ”)?**

5 A. Effective June 1, 2008, AmerenUE was able to reduce the contract MDCQ
6 for MoGas Zone 2 from 7,837 MMBtu/d to 5,860 MMBtu/d. This was a 25% reduction.

7 **Q. Did the reduced contract affect the costs for the Rolla Area PGA?**

8 A. Yes. Although the rates established in FERC certificate case (Case
9 CP06-407 -408 -409) were 19% higher for Zone 2 than what AmerenUE had been paying
10 to MGC, because of the reduction in capacity, the net annual reservation costs were
11 reduced by \$132,286 or 11%.

12 **Q. Did AmerenUE participate in the FERC proceedings involving**
13 **MoGas’ Certificate Case?**

14 A. Yes. AmerenUE was an active participant in MoGas’ certificate case
15 (Case CP06-407 -408 -409) and filed a protest that MPC and MGC were trying to evade
16 state jurisdiction of the MPSC in addition to other filings. AmerenUE was also an active
17 participant in the other MoGas FERC cases, including the Curryville Compressor Station
18 application (Case CP07-450), the FERC Order No. 712 Compliance filing (Case RP09-
19 185), and the most recent case, the MoGas Rate Case (Case RP09-791). In addition to
20 raising concerns related to MoGas’ revenue requirement, AmerenUE challenged tariff
21 language in these FERC proceedings in order to assure the pipeline conducts business
22 with reasonable operating terms and conditions.

23 **Q. Did AmerenUE participate in the settlement discussions in Rate Case**
24 **RP09-791?**

1 A. Yes, AmerenUE actively participated in the Settlement Conferences held
2 in Washington, D.C. and believes its participation helped to reach a settlement that was
3 reasonable for all parties.

4 **Q. How did the settlement of the Case PR09-791 affect the costs for the**
5 **Rolla System?**

6 A. The settlement, agreed to by all participants in the case, resulted in a
7 reduced reservation rate for Zone 2, to \$9.615, which is 39% less than the recourse rate
8 (the rate requested by MoGas) of \$15.738 determined in the FERC certificate case. The
9 settlement rate is also 62% less than the \$25.463 rate initially filed in the Rate Case
10 RP09-791. This results in an annual reservation savings of \$430,569 from the certificate
11 filing, or \$1,114,431 from the requested rate increase.

12 **Q. Are those new rates effective?**

13 A. FERC has issued a Certification of Uncontested Settlement and should
14 issue an Order approving the settlement in the near future. MoGas will next file
15 compliance tariffs to implement the reduced rate within 30 days after the issuance of the
16 Order. In the meantime, however, AmerenUE reduced its PGA rate for the Rolla Area
17 customers effective May 1, 2010.

18 **III. AMERENUE'S PROPOSAL TO CONSOLIDATE PGA AND ACA RATES**

19 **Q. What modification to its PGA rate structure is AmerenUE proposing**
20 **in this case?**

21 A. AmerenUE is proposing to consolidate the PGA and ACA rates so that the
22 Rolla Incremental PGA is removed and the Company would have one PGA rate for its
23 entire system. AmerenUE currently has a PGA Transition Mechanism charge, which it is

1 also proposing to eliminate. That PGA Transition Mechanism modification is sponsored
2 in the testimony of AmerenUE witness James J. Massmann.

3 **Q. What is the magnitude of the Incremental Rolla PGA?**

4 A. Currently, the incremental PGA is at its lowest point, at \$0.16 per Ccf
5 (Hundred cubic feet). The rate reached its highest point at \$0.55 per Ccf in January of
6 2010.

7 **Q. How has the incremental PGA affected the Rolla Area customers?**

8 A. While I cannot say the correlation between the incremental PGA rate and
9 the number of gas customers is 100%, it is worth noting that the number of gas sales
10 customers in the Rolla Area decreased by approximately 178 customers, or
11 approximately 5% of the total, since the Company acquired the Rolla System in 2004.

12 **Q. Does the decrease in the number of Rolla customers impact all of the**
13 **other customers in the AmerenUE System?**

14 A. It does. The total PGA, paid by all customers, is calculated by taking the
15 gas costs divided by the total sales volume during the base period.¹ The reduction in the
16 customer count would have an impact on the total sales volumes, hence dividing by a
17 smaller number.

18 **Q. What is the reason for the variation in the incremental Rolla PGA?**

19 A. Like AmerenUE's overall PGA rate, the incremental Rolla PGA is
20 affected by a few factors including: an over/under recovery component, which changes
21 annually, and total sales volume from the prior year. However, the majority of the
22 incremental Rolla PGA rate is attributable to the MoGas Zone 2 transportation contracts
23 reservation costs. The highest incremental PGA of \$0.55 per Ccf occurred when MoGas

¹ UE Tariff Rider A: base period defined on page 23 or see Rider A for PGA Clause, pages 21-32.

1 filed for a proposed 62% rate increase for Zone 2 on June 30, 2009, with FERC. On
2 July 29, 2009, FERC issued an order accepting and suspending the instant tariff sheet to
3 be effective January 1, 2010, subject to refund and conditions and the outcome of a
4 hearing.

5 **Q. Since there has been a settlement in principal at FERC resulting in**
6 **rates lower than those MoGas originally filed to recover, will the Rolla customers**
7 **receive a refund?**

8 A. Yes, the rates charged by MoGas from January 1, 2010, until the
9 settlement rates become effective are subject to refund. This means AmerenUE will be
10 owed the difference between the settlement rates and those initially charged. All refunds
11 received from MoGas Zone 2 will flow through the incremental PGA. In addition, all
12 refunds received from MoGas Zone 1 will flow through the total system PGA.

13 **Q. If AmereUE is permitted to include the MoGas Zone 2 costs in the**
14 **single PGA and eliminate the Rolla Incremental PGA, what affect will this have on**
15 **the single PGA?**

16 A. The impact on the single PGA would be minimal. The single PGA would
17 increase by approximately \$0.0058 per Ccf. For an average residential customer this
18 represents an increase of approximately \$3.80 per year.

19 **Q. What type of reduction would the Rolla Area customers receive?**

20 A. The Rolla Area customers would experience approximately a \$0.1542 per
21 Ccf reduction in their total PGA or an estimated \$101.16 per year per customer decrease
22 in their annual costs, based on the lowest PGA effective May 1, 2010.

1 **Q. What other potential benefits would AmerenUE customers receive?**

2 A. Eliminating the Rolla Incremental PGA would make it more economical
3 for customers to either convert to natural gas service or to choose gas service for new
4 installations in the Rolla Area. The addition of new customers to the system would help
5 lower the total PGA in the future. It would also make the Rolla Area more attractive for
6 economic development in the future.

7 **Q. Would this modification of the PGA benefit AmerenUE?**

8 A. This modification would make administration of the PGA easier and may
9 require fewer programming changes when rates change. Other than reducing
10 administrative burden, however, this change will not benefit the Company. The PGA is a
11 pass through of the gas costs AmerenUE incurs in order to provide service to its natural
12 gas utility customers. The Company does not earn a profit on these costs and the
13 requested modification of the PGA rate would not change that fact.

14 **Q. Please summarize your testimony and conclusions.**

15 A. The Company believes that a true single PGA rate is beneficial to all of its
16 customers regardless of the customer's location or the size of their distribution system.
17 The Rolla Area has been plagued with high PGA rates historically and this may have
18 contributed to the negative growth in the area. By integrating the Rolla PGA into the
19 single PGA it prepares the Rolla Area and the total system for future growth potential.
20 This potential growth could reduce costs for all customers in the future. The customers in
21 the Rolla Area need this type of PGA relief for growth and to avoid losing additional
22 customers which has a negative rate impact for all customers.

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

24 A. Yes, it does.

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

In the Matter of Union Electric Company)
d/b/a AmerenUE for Authority to File)
Tariffs Increasing Rates for Natural Gas) Case No. GR-2010-
Service Provided to Customers in the)
Company's Missouri Service Area.)

AFFIDAVIT OF EMMA N. CRUTHIS

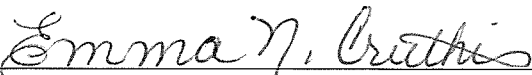
STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

Emma N. Cruthis, being first duly sworn on his oath, states:

1. My name is Emma N. Cruthis. I work in the City of St. Louis, Missouri,
and I am employed by AmerenEnergy Fuels & Services Company as a Managing
Executive in Gas Supply.

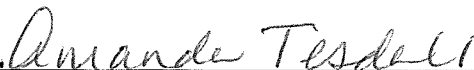
2. Attached hereto and made a part hereof for all purposes is my Direct
Testimony on behalf of Union Electric Company d/b/a AmerenUE consisting of 9
pages, all of which have been prepared in written form for introduction into evidence in
the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached
testimony to the questions therein propounded are true and correct.



Emma N. Cruthis

Subscribed and sworn to before me this 11 day of June, 2010.



Notary Public

My commission expires:

