Electric Company's First Set of Interrogatories. And you'll notice just for purposes of economy, photocopied the relevant page for this deposition. The actual document is about 100 pages long.

Now, Mr. Gibbs, questions 19, 20 and 21 regard the written testimony of Mark Griggs; is that correct?

A. That is correct.

Q. And you prepared the answer regarding these questions for Mr. Griggs; is that correct?

A. That is correct.

Q. Had Mr. Griggs left the Commission at the time that these answers were drafted?

A. Yes, he had.

Q. When did Mr. Griggs leave the Commission?

A. I don't have the exact date.

Q. Do you have a ballpark figure?

A. No, I do not.

Q. Question 19 reads, Identify each person who reviewed a draft of the testimony of Mark D. Griggs, and the answer lists a number of people. Can you tell me, Mr. Gibbs, what Steve Rackers -- or can you tell me, do you know whether all of the people in this answer actually reviewed the testimony of Mark Griggs?

A. They were provided a copy. Whether or not they actually reviewed it, I do not know.

Q. Question 20 reads, Identify each person who participated in any way or in any way contributed to the preparation of the testimony of Mark Griggs. And, again, the question or the answer, rather, that you prepared lists of a number of people. Can you tell me what contribution Steve Rackers made to the testimony of Mark Griggs?

A. Similar to the response to number 19. It was just part of the review process.

Q. What is the review process?

A. Much like an editor would, the written testimony would be submitted to him, he would review it, possibly recommend changes. These changes might be nothing more than grammatical, punctuations. What contribution they had to substance, I do not know.

Q. How about Greg Meyer?

A. That would be the same answer.

Q. Mark Oligschlaeger?

A. Likewise, as basically an editing process.

Q. Would the answer be the same for yourself, for Mr. Schweiterman, for Mr. Anderson and for Mr. Dottheim?

A. I believe that might be the case.

Q. Did these individuals review Mr. Griggs' testimony before or after Mr. Griggs left the Commission?

A. It was before he left the Commission.

Q. And so their responses would have gone to Mr. Griggs; is that correct?

A. Yes.

Q. So you yourself have no personal knowledge of any substantive or analytical contributions that these individuals made to Mr. Griggs' testimony; is that correct?

A. That's correct.

Q. Mr. Gibbs, let's turn to Mr. Griggs' written testimony. On page 1 on Mr. Griggs' testimony there is a brief discussion of his academic background. Beyond what you read on this page, are you in any way familiar with Mr. Griggs' academic background?

A. No, I'm not.

Q. You didn't go to school with him, did you?

A. No, I did not.

Q. Didn't go to law school with him?

A. No.

Q. You dodged a bullet there.

Let me get you to turn to page 3, please. On the top of page 3 Mr. Griggs has listed a number of adjustments. Could you tell me briefly what these adjustments do?

A. These adjustments in total represents the Staff's adjustment to payroll expense for our test year ending June, updated through December 2000.

Q. How are these adjustments broken out?

A. The adjustment was calculated in total, and that total was then distributed amongst the various operating functions of the Company based on the actual test year payroll during that test year.

Q. Mr. Gibbs, you testified earlier that at some point or another you had involvements in pretty much every area of this testimony. Have you yourself performed this calculation before?

A. I have filed testimony and created work papers with regards to the payroll area in other proceedings, yes.

Q. Have you ever done that for the Union Electric Company?

A. I don't recall.

Q. When you reviewed Mr. Griggs' calculation in this area, did you find it was proper?

A. Given the data that he had available, I think that his adjustment is appropriate.

Q. What is the relevant payroll for this calculation?

A. The relevant payroll?

Q. Yes.

A. I'm not sure what you mean by the relevant payroll. The --

Q. Whose payroll are we trying to analyze with this adjustment?

A. These adjustments and payroll in general reflect the actual payroll of AmerenUE, as well as the allocated portion of Ameren Services.

Q. Now, AmerenUE involves more than just electric; is that correct?

A. Yes. I believe they have some gas and steam operations.

Q. Do we have any interest in payroll for those areas at this time?

A. The payroll in general encompassed all these functions, and then it eventually filters or gets allocated down to the electric jurisdiction, which is then allocated to Missouri jurisdictional. So to the extent we did total payroll, the total payroll, which is not reflected in this run because naturally it's adjusted out for jurisdictional purposes, was part of the total payroll package.

Q. Now, you use the word jurisdiction. AmerenUE also includes some Illinois functions; is that correct?

A. Yes.

Q. And those would also be put aside during the calculation process?

A. I don't know that I'd say the word put aside. The payroll is essentially separated or allocated to various components and what filters down into the EMS run essentially becomes just the Missouri jurisdictional piece.

Q. And by Missouri jurisdictional piece, what do you mean?

A. That is the component that this Commission would have jurisdiction over.

Q. Would it be accurate to say that these adjustments, if properly performed, should be adjusting the payroll paid to AmerenUE and AMS employees who are working for Missouri Electric?

A. Is that the end of your question?

Q. Yes. Sorry.

A. It sounded like there was a little extension that was coming, but, yes, the payroll should be associated with those employees of UE and Ameren Services.

Q. Who are working for Missouri Electric?

A. Well, they work for the Company in general. I don't know that a given employee, unless he's directly associated with a Missouri jurisdictional function, is necessarily, today I work Missouri, tomorrow I work Illinois.

Q. Let me take another crack at it. Let me come at in a different way.

Is the relevant payroll here, the payroll used to provide services to Missouri Electric ratepayers?

A. Yes, it is.

Q. Got to turn to the master over here. The master is Gary Weiss, just for the record.

Based on your earlier testimony, would I be correct in assuming that in reviewing Mr. Griggs' calculation, you have no reason to think that this group of people is not the payroll that he captured?

A. I have no reason to believe otherwise.

(EXHIBIT NO. 4 WAS MARKED FOR IDENTIFICATION BY THE REPORTER.)

BY MR. TODD:

Q. Mr. Gibbs, I'm handing you a number of pages which have been labeled as Exhibit 4, and we'll need to get these stapled together.
Mr. Gibbs, have you seen these pages before?

A. Yes. They appear to be the work papers produced by Mr. Griggs or work papers that was provided him and used in his determination, yes.

Q. Let's start off with the first page. Can you tell me what this page is?

A. This is somewhat of a summary page that just indicates total payroll as of June 30, 2000 and for the 12 months ending December 31, 2000. These dollars, I believe, are figures provided by the Company in terms of their allocation or distribution amongst electric, gas, and Missouri jurisdictional.

Q. Okay. Can you tell me what set of numbers on this page Mr. Griggs used to calculate his adjustments?

A. His adjustment, I believe, would be the difference between the total payroll on line 4 under the columns of December -- or 12 months ending June 30, 2000 as compared to the total Missouri O and M labor that's on line 4 under the total column under the 12 months ending

December 31, 2000.

Q. Can you identify on this page which number reflects that difference?

A. Yeah. The final number in that very last column, the amount being $278,339.

Q. And if we flip over to page 2, do you see that $278,339 number reflected here?

A. Yes. This is where he took the adjustment and distributed amongst the functions that we had referenced earlier. And if I may go back to the first page?

Q. Absolutely.

A. I know that something was mentioned if there were any errors at the beginning of this. And seeing this, you know, kind of a light bulb went off, so to speak, that I believe on this particular work paper, I think there is a typographical error where he pulled the number from one schedule to another. And the Missouri Electric O and M amount -- I'm trying to recall which figure that was -- but I think there was an error of approximately -- it resulted in an error of about $30,000 in favor of the Company. I think I seem to recall that the transposition between the number 6 and 3, but I don't actually see that on there. I probably made a note at one time, but I seem to recall that there was an error in bringing a number forward from another schedule to this schedule with regards to Missouri jurisdictional piece.

Q. Now, Mr. Gibbs, would I be correct in assuming based on your earlier testimony, that it is your understanding that line 4 reflects the payroll used to provide services to Missouri ratepayers?

A. The number on line 4 in the far right-hand column under total under the 12 months ending December 30, 2000, that number would be the payroll, the Missouri jurisdictional payroll to provide services to the ratepayer in the Missouri jurisdictional area of the Company. As noted earlier, this amount is actually the amount that the Company had calculated as Missouri jurisdictional and reflects the Company's allocations, if I'm not mistaken. And because of the Staff's use of a different fixed allocation and its impact on the allocations in general, the Staff's number may actually be -- should be different from what's actually reflected on the schedule.

Q. Let me have you flip to the last page of this document, which would be page 9, do you see on this page where the numbers entered on line 4 under the 12 months ending 12-31-00 section came from?

A. Yes. Under the total UE with title, Total UEC Labor column, Total Operating Expenses, which is a combination of Union Electric and AMS allocated $243,949,864. And that is where the transposition that I was talking about or the error took place. You will notice on page 1, 243,979,864 as opposed to the 49. That's the $30,000 that I had referenced earlier.

Q. Okay. Good of you to catch that.

It's your assumption, Mr. Gibbs, is it not, that this sheet entitled, Operating Expenses-Missouri Electric reflects the payroll used to provide services to Missouri ratepayers?

A. Yes.

Q. Do you have any idea whether that was also Mr. Griggs' assumption?

A. I can't speculate to his assumption.

Q. If, in fact, this page does not reflect that payroll, does that call his calculation into question?

A. This was the Company's calculation, so if that's an error, if that doesn't represent Missouri jurisdiction, I'd be happy to sit down with the Company to find out why not.

Q. Mr. Gibbs, if, in fact, this page entitled, Operating Expenses-Missouri Electric includes payroll for Ameren -- I'm sorry -- for Union Electric Company and AMS employees who, while living or working in Missouri, actually work for Illinois electric, would not call the calculation into question?

A. I don't believe this calculation is on a situs basis, but on a jurisdictional basis, so I don't think that where an employee is working -- where the employee was working would have been taken into consideration if the allocation of the dollars that are reflected as Missouri jurisdictional here.

Q. So, for instance, if a Union Electric Company employee lived in Illinois, but worked for Missouri Electric and therefore was benefitting Missouri ratepayers, that payroll should be counted in this calculation?

A. That should be part of the Missouri jurisdictional payroll, yes.

Q. If this last page, page 9 excludes such an employee, does that call the accounting into question?

A. If that is the case, it would certainly cause me concern with not only this calculation, but maybe other calculations that the Company had provided.

Q. And similarly, if this page did include an Ameren employee, who while working in Missouri, was actually working to benefit Illinois ratepayers, would that further impact this calculation?

A. That should be reflected in here. If we have a Missouri employee that's in Missouri who does work -- that benefits the operations in Illinois, that payroll associated with that employee would have been allocated to Illinois and not be reflected in the Missouri jurisdictional piece.

Q. Do you see anywhere on this page an indication that this is a jurisdictional allocation of operating expenses?

A. I think it was the understanding of the -- well, the page is titled, Missouri Electric, and based on the way the calculation was done, it appears that the assumption in this was that this was a jurisdictional calculation.

Q. Let me get you to flip back a couple of pages. It's page 6 in the document in the stack of pages to a document entitled, Operating Expenses-Missouri Electric for the 12 months ending 6-30-00.

A. I'm sorry. What page?

Q. It would be six pages in. Is it correct that this page reflects the same accounting as the page we were just looking at on page 9 but for the change of date?

A. Yes. It's an identical type of work paper just reflecting a different time period.

Q. And would the same concerns we just discussed apply to this page as well?

A. Yes, it would.

Q. So to sum up these series of questions, Mr. Gibbs, if, in fact, these two pages, pages 6 and 9, do not reflect Missouri jurisdictional payroll, but rather reflect Union Electric and AMS employees who live in Missouri regardless of whether they are working for Missouri Electric or Illinois Electric, then Mr. Griggs' calculation would be incorrect; is that right?

A. If it's not jurisdictional, yes.

Q. Mr. Gibbs, let me have you turn to page 4. Page 4, it's the fourth page in this document. Sorry. I have page numbers handwritten on mine. I didn't do that for anyone else. Can you tell me what this sheet represents?

A. Is this what references 121?

Q. Yes, it is.

A. Similar to the other sheets that we had -- we have been talking about, this is the exact same format except it indicates that it reflects total electric.

Q. And turn forward three pages and tell me what this page is.

A. Likewise, this is the same formatted type of work paper, and it merely reflects a different time frame. This particular page reflects the 12 months ending December 31 for the year 2000 for total electric.

Q. And the earlier page was for June 30, 2000; is that correct?

A. That is correct.

Q. Okay. Do you have familiarity with how the Company accounts for payroll and other expenses in its various function lines? By function lines, I mean the things listed on the side of the page here, production, transmission, distribution, customer accounts, et cetera.

A. Now, when you're asking me how they account for it, are you talking about on an accrual versus cash, or are you talking about how it's actually -- the expenses are allocated within the functions?

Q. Let me back up and take another shot.

Do you know whether in each of these areas, the Company tracks these numbers on a total-company basis or on a jurisdictional basis?

A. I'm not sure of the tracking in regards to jurisdictional. Naturally, they track this on a total-company basis.

Q. For, instance, do you know whether production -- Mr. Gibbs, do you know whether the Company accounted for production on a total-electric basis or on a jurisdictional basis?

A. I think in general they track expenses on a total-company basis. The jurisdictional is determined through an allocation procedure, which, as I understand, the Company does not do on a monthly basis, but only on an as-needed basis.

Q. How about transmission operations?

A. Same.

Q. Transmission maintenance?

A. All the expenses are tracked on a total company.

Q. Would it be correct in assuming then that you do not know whether distribution operations, distribution maintenance, customer accounts, customer service information and sales are, in fact, accounted for on a jurisdictional basis?

A. I think that's a direct assignment, whether or not it's on a situs basis. I know in the allocation process, customer accounts, customer service, sales, these type of expenses are a direct assignment to jurisdiction. So to that extent in a direct assignment, they could be very easily, I guess, tracked on a jurisdictional basis.

Q. And could they be assigned without use of an allocation factor?

A. Well, that's the opposite of being allocated that it is being directly assigned. So an allocation is not being used for those costs.

Q. And the other costs reflected on here, those being production, transmission operations, transmission maintenance, administrative and general operations and administrative and general maintenance, would those all be assigned -- allocated, rather?

A. Most of those, I believe, are done through an allocation process. I believe there are a few pieces of administrative in general that might be directly assigned.

Q. For those areas -- I'm going to ask you a fairly long question, and we can go back and break it down into pieces, if you want. Try to bear with me on this.

For those areas that require allocation, if I were to take the June number off the June sheet and subtracted from the December number off of the December sheet, and then multiplied the difference by the proper allocation factor, would I then have the payroll for that function -- I'm sorry -- the proper payroll adjustment for that function?

A. Mathematically, I think that would be correct.

Q. And for those areas that are directly assigned, if I were to take the June number off of the page entitled, Missouri Electric, and subtract it from the December number off the other page -- I'm sorry -- the June Missouri Electric page and subtract it from the December Missouri Electric page, would I then have the proper payroll for those areas, the proper payroll adjustment for those areas for Missouri?

A. Yes, I think you would. And that could be done for each of these. And in brevity, I guess, if you're referring or trying to get back to the allocation of the payroll adjustment, the manner in which you spoke of where taking each line item, may actually be a more accurate or more appropriate way to do it. The bottom line adjustment would have still been the same.

Q. I'm sorry. The bottom line adjustment?

A. Yeah. The total adjustment should come out the same.

Q. As Mr. Griggs' calculation?

A. Yes.

Q. Despite the fact that we agreed earlier that if the Missouri -- page entitled Missouri Electric doesn't represent what you think it represents?

A. The adjustment that I'm referring to is based on the methodology and assumptions that was used in the calculation. I think the whole process could be shortened, you know, if the Company would tell me, I guess, if this is, in fact, not Missouri jurisdiction. I seem to recall at least on the level of payroll for the 12 months ending December, which is referenced on the Missouri page, if I'm not mistaken, I believe at one time tied that back into the June 30, 2000 credit calculation done by the Company. So to that extent, I feel fairly confident that that is jurisdictional.

Q. Okay. I just want to clarify one point, Mr. Gibbs. You did admit, did you not, or say rather, that total production transmission and administrative general expenses would require allocation to a jurisdiction?

A. That's generally true. I think within the production, you do have some nuclear costs, I think, that are directly assigned. I mean, the whole process is a combination of either direct assignment or some allocation.

Q. Let's turn back, if we could, to page 3 of Mr. Griggs' testimony.

A. Yes.

Q. Beginning on line 18, Mr. Griggs discusses a wage increase and some reasons why that wage increase did not affect payroll substantially. Have you reviewed and are familiar with this discussion?

A. I've read his testimony, yes.

Q. Have you reviewed the numbers and the lines in his testimony?

A. I have reviewed his work papers with regards to the dollars and the number of employees. And his statement in here is fairly representative of, I think, of the data that he had reviewed.

Q. You would agree with the statement then on lines 20 and 21 that, quote, Monthly payroll expense did not change significantly in the months following these increases, closed quote?

A. From month to month I think there may have been changes in terms of the payroll adjustment. If you looked at June versus December, there was some change. Matter of fact, I believe there was an increase on -- I'm trying to recall whether it was an increase in the allocation of Ameren Services and a decline in the over all payroll for Union Electric Company that in the aggregate, as can be seen by the adjustment, there wasn't a significant change overall.

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

BY MR. TODD:

Q. Okay. Mr. Gibbs, I'm handing you what's been marked as Exhibit 5. Mr. Gibbs, have you seen this page before, the first page I mean.

A. I may have seen this, but to be quite honest with you, it doesn't look familiar to me.

Q. In the middle of this page is a column entitled, 12 Months Ended. Do you see that column?

A. Yes.

Q. And you see a number there across from the June entry?

A. Yes.

Q. That number is approximately 218 million, rounding up?

A. Yes.

Q. If you turn to the second page, I think this page will look familiar to you.

A. Yeah. This one looks a little more familiar.

Q. Do you see the line item at the bottom entitled, Total Operating Expenses?

A. Yes.

Q. Do you see the first number across from that line item?

A. Yes.

Q. If you compare that number to the number I directed to you on the first page, would you agree that they are the same number?

A. They are the same.
Q. Could we agree that this first page is a monthly representation from June 2000 running forward of payroll, and then total payroll for the 12 months ending in that realm of month?
A. Are you referring to the first page?
Q. Yes, sir?
A. Yes.
Q. Are you aware that these pages were all part of Mr. Griggs' work papers?
A. I'll assume that subject to check.
Q. That's fair enough. Mr. Gibbs, in looking at this page, will you agree with me that from June 2000 to April 2001, total payroll increased by approximately $8 million?
A. Through April?
Q. Yes, sir.
A. Yes. On this page it indicates that payroll went from 218 million to 242 million.
Q. Oh, I'm sorry. I was talking about the total monthly payroll, the first column of numbers.
A. Yes. The first column there was approximately an $8.2 million change in the monthly level.

Q. I'm sorry. Approximately what monthly change?
A. The June was 18.2 million, April is 26.4 million, so . . .
Q. That's approximately 8 million?
A. 8.2 million, yes.
Q. Do you think $8 million is a significant amount of money?
A. Yes.
Q. If you look at the bottom of the lowest calculations on the page it reads Jan dash April followed by a number, then the next line reads, Times 3. And then the bottom line gives a number of approximately --
A. Yes. This appears to be possibly a check figure or a possible alternative calculation, if you would, in what we would anticipate possible annual payroll to be based on three months of January through April, and so it would indicate on an annual basis.
Q. Looking at the second column of numbers, the column entitled, 12 Months Ended, would you agree with me that the 12 months ended payroll rose by approximately $25 million from June of 2000 to April of 2001?

A. Yes. There was a significant increase when you compare June of 2000 to April 2000. Most of that change, as you also note, took place subsequent to December, which was our cut off in our case for our known and measurable. I will admit subsequent December, there are things in payroll that have caused a fairly substantial increase. What's caused those, I don't know.

But, again, maintaining the integrity of our test year, matching our level of investment operated revenues and expense, it would be difficult to go beyond the December time frame without addressing all aspects of what impacts the level of expenses, revenue and investment.

Q. But the Staff was aware of these numbers at the time it calculated and filed in this case, would you agree with that, assuming these are Mr. Gibbs' work papers?

A. Griggs' work papers.

Q. See, I did it. Griggs' work papers.

A. Yes, that is correct.

Q. Mr. Gibbs, you would agree, would you not, that the wage increases granted to the various classes of employees would constitute known and measurable changes, would you not?

A. Yes.

Q. Now, on the bottom line on page 3 reading over to page 4, Mr. Griggs discusses a decline in employee levels at AmerenUE, does he not?

A. Yes.

Q. Is AmerenUE employees the relevant category of employees for the calculation underlying this adjustment?

A. In part. You also have the employees of Ameren Services that their payroll is a portion of Missouri jurisdictional as it's allocated.

Q. That anticipates my follow-up question, which is, does the term AmerenUE encompass employees who, perhaps, should not be included in this adjustment?

A. I don't know.

Q. Do all Ameren employees work all the time for Missouri Electric?

A. It's an allocation process. I don't know how the actual allocation process is done by the Company in allocating those costs to the electric operations of AmerenUE.

Q. Do you know in stating that AmerenUE experienced a decline in employees, levels of approximately 1 percent, Mr. Griggs did any analysis to determine whether that reduction included just employees who work for Missouri Electric and took care to exclude those whose work might not be attributable to Missouri Electric?

A. I believe his analysis in terms of employee levels was based on total company employees.

Q. Let me ask you the same question for his observation that there is a slight increase of .3 percent in AMS employee levels?

A. I would assume it was based on total Ameren Service employees.

Q. If, in fact, these two numbers capture employees who work for these companies regardless of what jurisdiction they work for, are these numbers proper to rely on in this case?

A. I don't know that the percentages that he indicates here in any way goes toward the development of his adjustment, only merely in support of that adjustment. The fact that you have a change in employee levels, I think we've already discussed that much of the Company's expenses are subject to allocation. So I don't know that you can take an employee, you know, and split them, you know, in terms of determining the Missouri jurisdictional employees.

Q. Well, let me give you an example, attorneys work for a number of different clients, don't they, at least an attorney in private practice?

A. Yes.

Q. And do they manage to bill their time between different clients?

A. I don't know how they do their billing.

Q. Would it be possible for an employee of an electric utility or a utility company to bill their time between different jurisdictions or companies?

A. It's possible that an employee may charge his time by jurisdiction directly based on what they worked, whether or not an employee worked 100 percent Illinois, 100 percent Missouri or split his time somehow.

Q. The labor allocator allocates payroll between jurisdictions; is that correct?

A. No. It's part of the -- it's derived from the allocation process.

Q. If the Missouri portion, the Missouri percentage of that allocator is increasing, does that mean that the number of employees attributable to Missouri Electric is increasing?

A. The number of employees?

Q. Yes.

A. Not necessarily.

Q. How about the amount of payroll?

A. It ties down to payroll. There's a number of factors. It goes into what's Missouri jurisdictional. As indicated, one of the allocation factors, variable allocation factors based on output. So I mean, if you have a change in growth or output in one particular area from effect the allocation process, it may not have -- it may have absolutely no impact on the level of employees.

Q. If the jurisdictional allocator increases from June 2000 to December 2000, would that mean that the amount of payroll benefitting Missouri ratepayers is increasing?

A. If the allocation percentage was increasing?

Q. Yes.

A. It would only increase the payroll to the extent the payroll increased.

Q. Do you know whether Mr. Griggs or any other Staff member has ever asked the Company for a breakdown of Missouri Electric payroll, jurisdictional Missouri Electric payroll?

A. The fact that we've got a proceeding now, and that the Company was involved in an experimental rate program where these jurisdictional issues exist on an annual basis as far as a filing, whether they were asked for it directly or not would be part of the work papers that the Staff would have requested in support of the credit cases, as well as any current allocation for the current proceeding. So at some point in time, I'm sure that some Staff has requested that information.

Q. Do you have any personal knowledge as to that?

A. No.

Q. Do you know whether Mr. Griggs had any personal knowledge about that?

A. No.

MR. TODD: Let's take a break.

(OFF THE RECORD.)

BY MR. TODD:

Q. Mr. Gibbs, let's move on and have you turn to the bottom of page 4 to Mr. Griggs' testimony.

A. Yes.

Q. Employee medical costs is what's discussed here. Can you tell me briefly what adjustment 19.16 is all about?

A. This adjustment adjusts the employee medical cost primarily for the HMOs, I believe.

Q. And this adjustment is in the amount of over 1,101,264 from the Company's cost of service; is that correct?

A. Yes. It reduces the Missouri jurisdictional cost of service by approximately $1.1 million.

Q. What is your understanding of how the Company handles employee medical costs?

A. I don't know.

Q. Do you know how the Company handles employee medical costs?

A. No, I do not.

Q. Do you know whether the Company uses an outside contractor for handling its invoices?

A. No, I do not.

Q. Do you know whether Mr. Griggs understands how the Company handles its employee medical costs?

A. No, I do not.

Q. You have reviewed -- as you testified earlier, you have reviewed Mr. Griggs' testimony on this point?

A. Yes.

Q. On page 5 starting around line 3, are you familiar with the discussion regarding a backlog of claims?

A. Only what I've read in his testimony. I have no personal knowledge of that.

Q. Have you reviewed the documents supporting his discussion here?

A. I reviewed his work papers and his calculation. I don't know that I've actually reviewed any other documentation associated with it.

Q. Have you reviewed Staff Data Request No. 300?

A. No, I did not.

Q. Why did you not review that data request?

A. That's just a failure on my part.

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

BY MR. TODD:

Q. Mr. Gibbs, I've just handed you Staff Data Request No. 300R, which lists a series of questions and a series of responses, and I'd like you to review question 4 and response 4.

A. Yes.

Q. Can you tell me what the Commission, or rather, what the Staff was inquiring into here?
A. For this particular aspect of employee benefits, the group medical and HMO, apparently the monthly charge to the expense runs somewhere in the neighborhood of a little over a million dollars a month. The last month of our historical test period under analysis, that amount jumped to $3.6 million. And subsequently, in July the amount was $2.2 million, and then August it had dropped down to 417,000, which corresponds to the explanation in this data request that they had recorded expenses and then reversed those in a subsequent month.
Q. Now, you're reading those numbers off of another one of Mr. Griggs' worksheets, are you not?
A. Yes, I am.
Q. I'm going to have that marked. I'll hand you the sheet I believe you're referring to.
(EXHIBIT NO. 7 WAS MARKED FOR IDENTIFICATION BY THE REPORTER.)
BY MR. TODD:
Q. Now, this sheet has been marked as Exhibit 7. Is this the sheet that you were just looking at?
A. Yes, it is.

Q. Just so we're all on the same page. Now, you have just reviewed the Company's response to this question, can you tell me where you understand should have been the explanation for this seemingly odd occurrence?

A. In reference to the dollar amounts that I had mentioned, because of the change, it was requested why was there a significant decrease in the level of group medical HMO expenses for the month of August 2000 for both AmerenUE and Ameren Services with a return to more normal levels in September 2000.

The response given by the Company at the end of June, a large number of medical claims were backlogged for processing by GenAM Benefits. Therefore an entry of 447,400 for Ameren Services and $1,412,800 for AmerenUE was made to true-up medical claims through June. After actual claims were paid by GenAm Benefits, the entries made in June were reversed out resulting in more expenses hitting the books in August.

Q. Do you have any opinion as to why the Company might do something like this?

A. No, I do not.

Q. Would you agree with me that it would be fair to assume that medical claims backlogged as June of 2000 -- let me back up.

You said earlier that you did not know whether the Company used an outside contractor?

A. Apparently from the response to this data request, they refer to an outside contractor.

Q. So we can agree for purposes of this discussion that GenAm Benefits is an outside contractor --

A. Yes.

Q. -- who handles Ameren's invoicing?

Do you think it would be fair to assume that medical claims backlogged in June of 2000 would be medical claims that were incurred in or prior to June of 2000?

A. With the explanation that it was backlogged, you can assume that they were incurred prior to June.

Q. You said earlier when you were running down the numbers on, I believe, this is Exhibit 7?

A. Exhibit 7, yes.

Q. You said that prior to June of 2000, employee medical costs were running, in that column, running over a million dollars; isn't that what you said?

A. Yes.

Q. Now, as you go back up the list of months, aren't medical expenses consistently over a million dollars?

A. For the 12 months ending June, which would be July '99 through June of 2000, the claims ranged from 1.8 million to 1.3 million exclusive of June, which was $3 million.

Q. Would you agree with me that there is an overall downward trend in employment of costs over that period?

A. During that period it would be a straight downward trend, but it appears that it would be a relatively decreasing level of cost.

Q. And if we look at the months following the adjustment here, specifically October, November and December of 2000, are those numbers fairly reflective of the period preceding June of 2000?

A. Yeah. Subsequent to August on this particular worksheet, September was approximately 1.2, October was approximately 1.7 million, November was 1.8 million, and December was 1.4 million, and those numbers compare favorably to the numbers that existed prior to June.

Q. Would you agree with me that the number for November is, in fact, higher than any number in the year range you just called out?

A. Yes.

Q. And you would agree with me that the October number is larger than all but two numbers of monthly totals in that time period?

A. You're referring to October now?

Q. Yes, sir.

A. Yes, I would agree with that.

Q. Now, turning back to Data Request 300, on the second page of the data request, the last sentence on the Company's answer, it reads, After actual claims were paid by GenAm Benefits, the entries made in June were reversed out, resulting in lower expenses hitting the books in August. And on the first page it states that at the end of June, a large number of medical claims were backlogged for processing by GenAm Benefits; therefore entry of $447,400 for Ameren Services and 1,412,800 for AmerenUE was made to true-up medical claims expense through June.

Did I read those two sentences correctly?

A. Yes, you did.

Q. Now, in an accounting sense, what does it mean that the Company reversed out these entries?

A. The Company essentially had made some estimate of what those costs would be and accrued for that expense during the month of June or July. And when the actual expenses were incurred, those expenses were incurred and recorded in the month actually paid in the month that they were paid then the entry that set up the accrual was then reversed.

Q. Now, you said you assumed the Company estimated these costs somehow. Do you know how exactly the Company came up with the amount of these June entries?

A. No, I do not.

Q. Do you know whether it was actually an estimate or whether it was based on actual outstanding medical claims?

A. I do not know.

Q. Do you know whether Mr. Griggs knew the answer to this question?

A. No, I do not.

Q. Have you seen any work papers that would provide an answer to that question?

A. No, I have not.

Q. Do you have any data requests that would provide an answer to that question?

A. No, I have not.
Q. Would you agree with me that the purpose of this calculation, or rather the calculation performed by Mr. Griggs, is to accurately capture the Company's exposure for medical claims during the test year?
A. To accurately --
Q. Capture.
A. -- capture the Company's medical expenses for the year, I would say, no, in that his calculation was not in attempt to actually capture actual, but to reflect a normal level of expenses for a 12-month period.
Q. But, sir, would you agree with me that the starting point for that is figuring out what the expenses were during the test year?
A. Yes.
Q. And for purposes of test-year numbers, am I correct that Mr. Griggs used the actual numbers for the test year except for an average of June, July and August?
A. Yes, that is correct.
Q. So would I be correct in assuming that it was Mr. Griggs' judgments that that number accurately reflected a normal level of expenses?

A. Yes.

Q. You agree that 447,400 number reflects either an estimation or an actual accounting of medical claims incurred at some point prior to June of 2000, did you not?

A. Yes.

Q. And would the same go for the 1,412,000 number?

A. These numbers were recorded by the Company in an attempt to reflect these backlogged medical claims.

Q. If we assume that those numbers themselves be the estimates or actual figures are accurate, then wouldn't the most accurate accounting of test year medical claims simply be the addition of all claims actually paid plus these estimations of claims of liabilities incurred, but not yet actually paid due to this backlog?

A. It sounds okay in theory, but I'm not sure that that would actually be the case.

Q. Let me refine this one for you. Let me throw in the assumption that the backlog claims were all incurred during the test year, does that improve it for you at all?

A. Just somewhat.

Q. Okay.

A. It may be fairly typical to have a backlog, and maybe just be at this point in time an unusual level of backlog. And how that backlog was accounted for in the accrual if it reflected just that normal backlog or the total backlog. I mean, there's other aspects that you have to look at.

Q. But would you agree with me that if you wanted to figure out exactly what the Company's liability for medical claims during the test year was, then what you would do, would be you would add up maybe total of all employee medical expenses that occurred in that test year?

A. Yes. If you could totally eliminate the effect of the backlog, I would agree with that.

Q. If on the first day of July 2000, the Company wanted an accurate picture, an accurate accounting of its employment medical expenses for the year ending June 30, 2000, but all of those expenses had not yet been actually paid, would a true-up entry such as that discussed in Data Request 300 be one method of creating that accurate accounting on the books?

A. Unless it was really abnormal. If you're actually on a basis of reporting your medical expenses as the claims come in, you're actually making that disbursement or your contracted company is making those, I find it somewhat unusual that you would want to accrue a true-up in a given month unless there was some abnormalment. I think more typical you would find a monthly accrual estimating the expenses, then the following month when those actual expenses were paid, that you would back out the previous month's accrual and that would go on a monthly basis like that. So to do a simple middle-of-the-year accrual seems a bit unusual to me.

Q. But you would agree with me that if the Company wanted to make the book at that point reflect actual payments, that would be one way they could do that?

A. Yes.

Q. If at some point down the road when those expenses had actually been paid, could the Company then reverse that accrual on its books and would that be the proper method of bringing the books back into balance?

A. Well, that accrual process is what caused the methodology that the Staff employed in trying to calculate this adjustment. So I think the accrual process in this was to a certain extent the problem as opposed to the solution.

Q. Would you agree with me that by averaging June, July and August and substituting that number for June, the Staff has, in fact, made its accounting of actual employee medical costs for the test year less accurate?

A. No, I would not.

Q. Let's move to and talk about incentive compensation. It starts on page 5 of your testimony. Could you explain to us briefly what adjustment S-19.14 does?

A. It removes from the cost of service the payments charged to expense during the historical test year with regards to incentive plans.

Q. And, again, you have reviewed Mr. Griggs' written testimony?

A. Yes, I have.

Q. And this testimony discusses a total of nine incentive compensation plans, does it not?

A. Yes. It refers to Ameren Incentive Plan, an Ameren Management Incentive Plan, and then Executive Incentive Plan, and the discussion reflects a three-year span 1999 to year 2000, the year 2001 plan. So that's where the nine plans are discussed.

Q. Were those plans -- were either of those plans different in each of those years?

A. There's been modifications each year to the plans.

Q. Mr. Gibbs, have you reviewed each of these nine plans?

A. Yes, I have.

Q. Do you know whether each of those nine plans was contained in Mr. Griggs' work papers?

A. No, I do not.

Q. Have you reviewed those nine plans outside the context of Mr. Griggs' work papers?

A. They were provided to the Staff in response to data requests. And to the extent that the Company was made aware of these data requests, I would assume that the assumption was the that the request had been provided to the Company in support of the Staff's filing.

Q. Now, we're going to probably talk about all of these plans. I think we'll start probably with the most recent. Would you agree that the plan the Company's under currently would be the most relevant?

A. No.

Q. You wouldn't?

A. What's relevant to the Staff's filing is the incentive plans that were in effect during our study period.

Q. Would you agree that a changed plan is a known and measurable event?

A. Depends on the timing. You can have the plan in a readable format, but whether that plan had been completed and the results and the ultimate payments associated with that plan may not have occurred.

(EXHIBIT NO. 8 WAS MARKED FOR IDENTIFICATION BY THE REPORTER.)

BY MR. TODD:

Q. Can you identify the packet of documents that I have just handed you that has been marked as Exhibit 8?

A. It appears to be various correspondence to Company employees with regards to the incentive plans.

Q. With regard to which incentive plans?

A. There's reference here to the Ameren Management Incentive Plan for 1999, the Executive Incentive Plan for 1999.

Q. Flip back to the second page.

A. Pardon?

Q. Flip to the second page of the packet. What do you find there?

A. The title on the page is, Ameren Management Incentive Plan, AmerenUE, Ameren CIPS, that's C-I-P-S, and Ameren Services 1999. Following that there's a description of the Ameren Corporation Executive Incentive Plan 1999, following that is a letter from the Chairman, President and CEO, Mr. Mueller -- is that how it would be pronounced?

MR. WEISS: Uh-huh.

THE WITNESS: -- on February 14, 2000, with regards to the results of the 1999 plan and references to the year 2000 plan for the Ameren Incentive Plan. Following that is a description of the Ameren Management Incentive Plan, AmerenUE, Ameren CIPS and Ameren Services for the year 2000, followed by a description of the Ameren Corporation Executive Incentive Plan for the year 2000. And that is followed by a description of the 2001 Ameren Incentive Plan, Ameren Corporation.

That again is followed by the 2001 Ameren Management Incentive Plan, Ameren Corporation excluding Ameren Energy, Ameren Energy Marketing and Ameren Energy Communications. And finally, following that, the 2001 Ameren Executive Incentive Plan, Ameren Corporation.

BY MR. TODD:

Q. Let me direct your attention to the three 2001 plans. Flip back through the packet to the Ameren Incentive Plan for 2001. We'll start there. Before we go there, I should ask you, have you reviewed these documents before?

A. I believe I have read these documents.

Q. And these are the nine before-mentioned incentive plans?

A. Yes, they are.

Q. Would you agree with me that in the 2001 Ameren Incentive Plan, incentive payout is triggered by the Company's achieving a certain level of earnings per share?

A. Yes.

Q. And by trigger, what do you understand me to mean?

A. The incentive plans would not be in effect unless a certain level of earnings per share was earned.

Q. Would you turn forward to the 2001 Ameren Management Incentive Plan? Would you agree that this plan is also only triggered by achieving a certain level of earnings per share?

A. Yes.

Q. And turning to the Executive Incentive Plan, would you agree that this is only triggered by the Company's achieving a certain level of earnings per share?

A. Yes.

Q. Turning back to the Ameren Incentive Plan, again, based on your review of this document, are you familiar with how payout occurs under this plan?

A. It's my understanding when a certain level of earnings per share is attained, there is a payout based on that earnings per share. That amount is calculated, I believe, based on the straight-time wages of the employees under the plan. There's a certain percentage that is involved in the incentive plan, depending on the earnings per share level. There is a portion of the overall incentive is based on the business line function performance, which is measured by key performance indicators.

Q. Are you familiar with what these business line function performances and key performance

indicators comprise?
A. I believe that there was a response to a data request, I think, that provided a listing of those. I don't have them to memory.
Q. Have you reviewed that document?
A. I have looked at it, yes.
Q. So would I be correct in assuming that under the Ameren Incentive Plan, an employee does not receive their total possible incentive compensation simply because the Company achieves its earnings per share?
A. I believe it's a 50/50. I think once the earnings per share is reached, the incentive is almost an automatic payout based on corporate performance. The remaining portion of any incentive is based on the business line function performance, and how those various business lines met their targeted goals.
Q. So would you agree that any payout depends both on corporate performance and product area performance -- I'm sorry -- business line performance?
A. First of all, corporate performance, because the business line function performance, there would be no incentive associated with that if

the earnings per share or the corporate performance isn't attained.

Q. So to break it down a little bit then, corporate in effect funds the plan?

A. Yes.

Q. And then payout is actually determined by a combination of corporate performance and business line performance?

A. Yes.

Q. And going to the Management Incentive Plan for 2001, would you agree again that this plan is funded by corporate performance?

A. Yes.

Q. Would you also agree with me that whether or not any payout actually occurs, depends on a combination of corporate performance, business line performance and individual performance?

A. Those are the guidelines that are set out within the plan, yes.

Q. Are you familiar with how individual performance is measured?

A. No, I am not.

Q. Are you familiar with how business line function performance is measured?

A. Not specifically, no.

Q. Turning to the Executive Compensation Plan, once again, is this plan funded by corporate performance?

A. Yes, it is.

Q. And do you know what payout is based on under this plan?

A. The payout, similar to the other plans, is tiered in that depending on the level of earnings per share would affect the level of incentive, the incentive itself based on this plan that 50 percent of the payout would be based on the corporate performance or the earnings per share. And the other portion of it would be dependent upon the success or failure of the business line or individual performance.

Q. Let's turn back to the written testimony for a minute here. Let's turn to pages 7 and 8. Now, Mr. Gibbs, Mr. Griggs cites a number of reported Commission decisions on these pages. Have you reviewed these decisions?

A. Not recently, but I have in the past.

Q. Do you have any idea when you reviewed these decisions?

A. No.

Q. Was it recently?

A. Not within the last year probably.
Q. Do you know why Mr. Griggs decided to cite these particular cases?
A. Normally Commission decisions are cited within the context of testimony to support the position Staff has filed in the current case.
Q. Do you know why Mr. Griggs selected these opinions as opposed to any other opinions that may deal with the same issue?
A. I don't know if there are other cases other than these that have actually been litigated where the Commission has made a decision.
Q. Do you know whether these cases have been cited before in Staff testimony?
A. No, I do not.
Q. Based on your answer just now that you don't know whether there are any other cases in which this issue has been litigated, would I be correct in assuming that -- I'm sorry. I'm going to back up and ask a different question.
Are you aware that in these cases, the Staff disapproved the incentive compensation plans in question?
A. Could you repeat that, please?
Q. Do you know whether in these cases, the

Commission upheld Staff's recommendation to exclude expenses relating to its incentive compensation plans?

A. In these particular cases, I believe that would be correct.

Q. Do you know of any cases in which the Commission has allowed a utility to pass along its incentive compensation plan costs to ratepayers?

A. I'm aware of incentive plans that have been included in the cost of service. I don't know that it's been one that involved litigation where the Commission has made the decision.

Q. Now, you agreed earlier that you have reviewed Mr. Griggs' work papers. Do you recall whether these work papers included a number of other cases that are not cited in this testimony?

A. I didn't see in his work papers the actual Commission orders associated with these.

Q. Mr. Gibbs, would you agree that higher earnings per share ultimately benefits ratepayers?

A. I think there are benefits to the ratepayer for having a healthy utility. I don't know that earnings per share necessarily isn't the measure of that quality.

Q. Do you know whether earnings per share affects a company's cost of capital?

A. No, I do not.

Q. Then I should probably make that last question a little more specific. Do you know whether a company's earnings per share affects a company's ability to access capital markets at more favorable rates?

A. I don't know that.

Q. Do you know whether a company with higher earnings per share attracts better management?

A. No, I do not.

Q. Do you know whether utilities with higher earnings per share tend to have their rates cut?

A. I know of one specific. I don't know if that's a general rule.

Q. Rate cuts certainly benefit ratepayers, don't they?

A. Yes.

Q. Are you familiar at all with the workings of the EARP, that's E-A-R-P?

A. AARP, I've been getting some correspondence lately from them. I'm beginning to get worried. Yes, I am.

Q. In the context of the EARP, do higher earnings per share benefit ratepayers?

A. To the extent that their earnings per share translates into earnings within the return on equity bands, there is a credit that goes back to ratepayers, which is beneficial to them, yes.
Q. So higher earnings are at some point shared, they are, in fact, give to the ratepayers?
A. They are credited back to the ratepayer.
Q. You used the word credited, why do you use that word?
A. I think that's the language I think that's within the plan itself. The plan itself, when it's filed, is addressed as the sharing or the sharing-credit period or whatever period it is, it's just the reference in the plan of what it's designed to do.
Q. Do you understand, Mr. Gibbs, that the EARP and its sharing grade is calculated on a company-wide basis?
A. The earnings per share -- I'm sorry. Could you repeat the question?
Q. Let me clarify it for you.
Do you understand that the monies that are, to use your term, shared with ratepayers, are earnings per share for the total company and not just earnings for Missouri Electric?

A. Earnings per share is calculated on a total-company basis. We don't have a Missouri jurisdictional earnings per share. The credit is determined based on Missouri jurisdictional revenue and expense associated with the authorized or bands of return on equities that is built into the credit plan.

Q. Would you agree that the monies that are shared with ratepayers include the Missouri allocation portion of profit the company makes in the wholesale market?

A. I think there may be an agreement within the context of the credit case that some of that is allocated into that.

Q. And profits made in the wholesale market do not come from rates that ratepayers pay, correct?

A. I think that's the case.

Q. If that is the case, then a payment such as that would not really be a credit back to the ratepayers, would it, regardless of the term used in the EARP?

A. It's figured into as part of the credit and has gone back. Whether or not it fits into the jurisdictional picture in a conventional rate case scenario, I'm unsure.

Q. Would you agree with the proposition that individual performance drives earnings per share?

A. No.

Q. Well, if the company secretly replaced all of its employees with Folger's crystals, do you think that would show up in earnings per share?

A. Yeah, it very well might. What I'm saying, I guess, is that a company is the collection of every individual or employee that works for the company. And the fact that one individual may have that much of an impact is pretty remote. I mean, there can be those circumstances, but collectively, you know, the employees work as a team, so to speak. And so the performance of any one individual may, in fact, depend on the performance of the other individuals as well.

Q. You would agree that an individual performance in the aggregate drives company performance?

A. Yes.

Q. And would you agree that individual performance within a business line, again in the aggregate, drives that business line's performance?

A. Assuming the targeted goals of those individuals are something that meets the needs and requirements for the efficient operation of the company, yes.

Q. Has the Staff performed any calculations or really analysis trying to link or disprove these links between individual performance and earnings per share?

A. No.

Q. Has the Company performed -- I'm sorry -- has the Staff performed any analysis as to the link between earnings per share and benefit to ratepayers?

A. No.

Q. Do you think that discontinuing the Ameren Incentive Program, the AIP, would have an affect on the performance of the employees who currently benefit from it, potentially benefit from it?

A. I don't know.

Q. Would you agree that money on occasion has been known to be a good motivator?

A. There's probably on occasions when you don't receive it, and you gripe about it, but whether or not it affects their performance.

Q. So you have no opinion whether Ameren employees respond to incentive programs?

A. No, I do not.

Q. Has Staff performed any analysis as to the affects of the various Ameren incentive programs?

A. No, we have not.

Q. Do you know whether in performing his analysis or drafting his testimony, Mr. Griggs considered notions of efficiency?

A. No, I do not.

Q. Do you know whether he considered the public's interest in Ameren Union Electric Company as an employer?

A. No, I do not.

Q. Do you know whether he considered the public's interest in the efficient use of resources?

A. No, I do not.

Q. Do you know whether he considered the public's interest in rate stability?

A. No, I do not.

Q. Do you think or do you have an opinion as to whether time lost, the number of lost workdays would have an affect on earnings per share?

A. Indirectly it may.

Q. Let me fine-tune the question a little bit.

If we hold all else constant, which I realize is a bit fanciful, but if we hold all else constant, would a reduction of lost workdays affect earnings per share?

A. I don't know.

Q. How about cutting accident rates?

A. To the extent that you cut accident rates, and therefore reduce levels of Workmens' Comp and that type of thing, that may filter into the earnings per share.

Q. How about lowering service costs?

A. Pardon?

Q. Lowering the cost of service, service cost. Service cost as in having to go out and fix lines, fix meters, that kind of business?

A. All else remaining constant, when you reduce your level of expenses, that's going to translate to a higher bottom line net operating income which translates to higher earnings per share.

Q. How about improving plant availability, do you think that holding all else constant that might affect earnings per share?

A. If it reduces the lines on maybe a

higher-priced fuel source, it would reduce expenses, that would translate to a higher earnings per share.

Q. How about improving fuel efficiency?

A. Again, any time you improve efficiency that reduces costs, all else remaining constant, that's going to translate to a higher earnings per share.

Q. How about increasing transmission reliability?

A. How transmission reliability might translate to higher earnings per share, I do not know.

Q. Let's turn to page 8 of Mark Griggs' testimony, please. Now, as you have reviewed this testimony, are you familiar with the question and answer in the middle of this page as it discusses the non-counting of non -- sorry -- the excluding of nonrecurring or extraordinary items in the calculation of whether the Company achieved its earnings per share target for triggering the incentive plans?

A. Were you reading or was that a question?

Q. That was a question. Are you familiar with this discussion?

A. Yes, I am.

Q. And this paragraph here from line 12 to line 22 discusses in particular the non-counting of two items, the buy out of certain long-term coal contracts, and the Company's Targeted Separation Plan; is that correct?

A. Yes. Those items are mentioned.

Q. Have you reviewed the Targeted Separation Plan or the documents regarding the long-term coal contract?

A. No, I have not.

Q. Would you explain what is meant by the last sentence of this paragraph starting on line 20 reading, These two occurrences? Let me just read this into the transcript. The sentence reads, These two occurrences show the tenuous nature of the link between individual performance and earnings per share by recognizing the existence of factors other than individual performance that influence earnings per share.

Will you explain to me what is meant by the word tenuous?

A. I think in this particular instance -- and I couldn't quote Webster's actual definition of tenuous -- but the reference here is that there are, within the plans, a defined earnings per share that due to events, earnings per share may not have reached the level that would create the incentive that could be paid out, the maximum amount that could be paid out when these adjustments have been made, the incentive actually wound up being greater than it would have been without these adjustments.

Q. Now, you agreed with me that earlier that the payout under the various plans results in a combination of earnings per share business line performance and individual performance, did you not?

A. Yes. That was in reference to discussion of the 2001 plans. I think the plan in which the payments that have been disallowed in this particular case, deals with the 1999 plan, the payments of which were made in the year 2000, which almost pretty much exclusively was tied to the earnings per share as opposed to the achievement of key performance indicators.

Q. So you would analyze this type of removal differently under the 2001 plans then?

A. I think you would have to look at them. I think in general, the statement that the individual performance as it relates to a business line or a function, would be difficult to see the benefit that would result from one individual's performance. As I had indicated earlier, typically one individual's performance may very well hinge on the performance of other individuals.

Q. Has the Staff performed any analysis as to whether the buyout of long-term coal contracts or the Company's Targeted Separation Plan had an overall beneficial impact on the Company's financial position?

A. I have not.

Q. Are you aware of any such analysis?

A. No, I'm not.

Q. And so I assume you're not aware of any such analysis performed by Mr. Griggs?

A. No, I'm not.

Q. Are you aware that these events were -- or are you aware of whether these events were approved by the Staff?

MR. ANDERSON: Could you clarify that?

BY MR. TODD:

Q. Do you know whether or not the Staff signed off on the Company's buying out these contracts or implementing the Targeted Separation Plan?

A. No, I do not.
Q. Do you know whether the Commission approved them?
A. I'm not even sure if it's within the Commission's purview to -- you know, in regards to coal contracts, so I don't know.
Q. How about in the context of an EARP sharing period case?
A. What about the EARP, I'm not -- I don't quite understand your question.
MR. TODD: I'll note for the record it's a quarter to 12:00, and Ms. Mantle has left us.
BY MR. TODD:
Q. Do you think that Ameren employees like these plans as opposed to not having any incentive plan at all?
A. I can't put myself in the shoes of a UE employee as to their likes or dislikes with the plan, so I have no answer for that.
Q. Would you yourself -- maybe you do -- but would you yourself like to have an incentive plan that offered you the ability to earn a bonus by meeting certain targets?
A. It may depend on the conditions of that plan.

Q. I assume from your answer then there are some plans that you would like to have?

A. I don't know of too many people that wouldn't like to have a few extra dollars in their pocket.

Q. Fair enough. The failure to exclude these two items from counting against the 1999 incentive plans, would have resulted in these plans not paying out any money; is that correct?

A. No. I think under the 1999 plan paid out in 2000, I think it just -- if I'm not mistaken, I think the adjustment maximized the incentive plan. I think there would have been a payout under the incentive plan even without the adjustment.

Q. So then it reduced, it would have reduced the payment made?

A. Yes.

Q. We can agree at least on that?

A. Yeah. It would have an affect on the amount of the incentive payment. Whether or not it would have totally precluded it, I'm not quite sure.

Q. Is it possible that the fact that the inclusion of such events in the incentive plans would have reduced the payment might affect a management or an Ameren employee's decision whether or not to enter into these deals?

A. You're speaking from the employee?

Q. From the employee's perspective.

A. I don't know if an employee can voluntarily not be part of the program. I don't know.

Q. Okay. Then a manager responsible for approving or working on a deal such as this?

A. I guess I don't totally understand your question.

Q. Would a manager be less likely to approve the buy out of long-term coal contracts if he or she knew that doing so would decrease the bonus he or she was likely to receive at the end of the year?

A. I don't know.

Q. Now, performing its analysis in a case such as this, Staff routinely backs out one-time events to prevent them from being imposed on ratepayers in the future, is that correct, as a general proposition?

A. As a general proposition in the analysis of expenses, oftentime one-time events, depending on the nature of that event, may either be taken out of the cost of service or depending on the nature of that particular event, the Staff might recommend an amortization of that expense over a number of years. So the fact that a nonrecurring event does happen, it depends on the nature of that event and it's not carte blanche just to totally disregard it for purposes of ratemaking.

Q. Do you think there is any application of that consideration to a case such as this, the decision whether or not to include one-time nonrecurring or extraordinary items in determining whether or not incentive plans should pay out?

A. I'm not sure if I fully understand your question. If you're putting that in the context of a one-time event, I guess I just don't have an answer.

Q. Staff analyzes one-time events in cost of service ratemaking and occasionally adjusts them or excludes them entirely in order to prevent future ratepayers from being saddled with the cost of that one-time event repeatedly; is that a fair description of why you go about doing that analysis?

A. You use the term saddled. I don't know that I would use that. We try to put together cost of service that would produce just and reasonable rates in the event that an occurrence would in the Staff's opinion be nonrecurring, depending on the nature of that, we would certainly want to try to reflect as best as possible something on a going-forward basis, the treatment of that particular event.

Q. You try to determine -- to use a couple of terms Mr. Cassidy is fond of -- normal and ongoing costs; is that fair?

A. That's typical language used in the ratemaking process.

Q. Now, if the Company enters into a deal which has short-term negative impact on its earnings per share, but has a long-run positive impact on earnings per share, do you consider it equitable to prevent employees from receiving incentive compensation based on that one-time nonrecurring and extraordinary event?

A. The incentive compensation in terms of its disallowance in this proceeding is not predicated on a one-time event because of the coal contracts. It's the structure of the incentive plans as based on earnings per share that the Commission, in setting past precedence, has indicated that it has no benefit to the ratepayers and should not be allowed.

Q. I'm not sure you really answered my question. Take another shot at it?

A. Do you want to rephrase the question?

Q. Is it fair to deny employees incentive compensation because the company entered into a one-time nonrecurring and extraordinary deal, which had a short-term negative earnings per share, but had a long-run positive impact on earnings per share?

A. The Staff's disallowance within the context of this case, does not preclude the company from making that incentive plan. So in terms of that one-time event, the company as its prerogative can adjust its incentive and make that incentive plan. It just won't be incorporated in the rate structure.

Q. I'm just curious as to your own personal view of the equities of such a situation.

A. I don't know that I can answer that in that it depends on what side of the fence or what pair of shoes you're wearing. If I was a UE employee, I would probably like that effect. As a regulator, we take a different opinion. So it just depends on what hat you're wearing. I mean, I think what your personal perspective would be. My personal perspective, if I was part of an incentive plan, I would want to get the maximum I could out of it.

Q. But as a regulator, then you would like that situation?

A. As a regulator, we are directed by precedent that's set by this Commission, and the precedent currently as it exists, is these incentive plans do not have any benefit in terms to the Missouri ratepayers have been disallowed.

Q. And so in analyzing these plans, you are reviewing them solely for benefit to ratepayers; is that correct?

A. The final result is ultimately it's beneficial to the Missouri ratepayer to exclude the incentive costs. As I previously indicated, this is a decision in past cases that it's been made by the Commission, and the Staff is just following that precedent.

Q. Well, the Commission hasn't ruled on these particular incentive programs, has it?

A. They have ruled for the most part on incentive programs in general. And I don't know that I want to be the lead in going before the Commission on trying to overturn or present to them something in conflict of the precedent that they have set.

Q. Has the Commission evaluated the three incentive plans in effect at Ameren Corporation for the year 2001?

A. No, they have not.

Q. So you are making a judgment that these plans do not pass muster under the Commission's precedence?

A. Yes, that is correct.

Q. And you are making that judgment, are you not, because in your opinion, these plans do not benefit ratepayers?

A. There is no benefit to the Missouri ratepayer, yes.

Q. Do you agree with me that it's the Commission's obligation to balance the intensive ratepayers, shareholders and the public?

A. Yes.

Q. On page 7 of the written testimony, Mr. Griggs cites, and you have adopted, his citation of a case involving Southwestern Bell; is that correct?

A. That is correct.
Q. Have you performed any analysis comparing Ameren's operations to Southwestern Bell's operations?
A. No, I have not.
Q. Do you have any idea how much of Southwestern Bell's operations were actually located in Missouri?
A. No, I do not.
Q. Do you know how much of Ameren total company's revenue comes from Missouri Electric?
A. On an analyzed basis, we can refer to the Staff's accounting testimony. Of course, there may be some disagreements between Staff and Company with that regards.
Q. What do you consider the 2001 incentive plans to be long-term incentive plans as that term is used in the Southwestern Bell case?
A. I'm acquainted with the decision as it's presented here. I'm not that acquainted with the actual incentive plans in that case, so I cannot -- so I don't know.
Q. Do you know whether the plans in effect currently at Ameren are equivalent to any of the plans discussed in the case as cited in the

testimony you're adopting?

A. No, I do not.

Q. Do you know whether Ameren/Union Electric managers are directly responsible for their own product lines and performance?

A. The specific applications within the incentive plans, no.

MR. ANDERSON: Mr. Todd, do you have any idea how much longer you will be spending on this line of questioning and how much longer you have in total?

MR. TODD: I was just sitting here thinking about that. We'll probably go at least another half hour on this area. And then after that I want to go over medical, injuries and damages, and that can take half hour to an hour. So if we want to break here, I won't object to breaking in the middle of a line of questioning. I can pick this back up.

MR. ANDERSON: I know you're on a different time schedule. I know I can break for lunch.

MR. TODD: I think we're going to break. I really want to eat before we're finished with the entire deposition.

(A DISCUSSION WAS HELD OFF THE RECORD.)
(A LUNCH BREAK WAS TAKEN.)
BY MR. TODD:
Q. Mr. Gibbs, again, I'm going to apologize because at some point this afternoon I'm going to call you Mr. Griggs. I'll just get that out of the way.
Mr. Griggs (sic), I want to go back to payroll for a minute. We discussed earlier the fact that the Company authorized a series of wage hikes halfway through the test year or during the test year, rather?
A. Yeah. There was some payroll increases that was granted during the test year.
Q. Did the Company analyze those increases throughout the test year?
A. No.
Q. I'm sorry. Did the Staff analyze those increases throughout the test year?
A. Not to the extent that we took the last month times 12 or any process of that nature, no.
Q. Was there a judgment made to not do that of which you are aware?
A. Because as mentioned in the testimony, the insignificant overall change between the 12 months

ending June and the 12 months ending December, it was determined to just use the 12 months ending December as the analyzed normalized, if you will, level of payroll.

Q. You do agree that during whatever future period these rates are in effect for, those wage increases will be ending for just that entire period?

A. Yes. For as long as the rates determine with that expense level, yes.

Q. Well, and separate from the rates, unless wages are reduced again, these new higher wages are going to be in effect from here forward?

A. You said wages are reduced?

Q. Unless those wage increases are reversed, the higher wages currently in effect will be in effect through any future period?

A. What dictates the rates in effect are those that are granted by the Company. What may or may not be in effect in actuality, may not necessarily correspond to what's in the current tariffs.

Q. You just said rates that are in effect depend on the Company, do you mean Commission?

A. No. I'm talking about the effective wages rates. I mean, that's the Company's decision based on either the bargaining units or whatever negotiating process that they go through, that determines what they apply. The tariffed rates, which is based on cost of service, which payroll is a component of the overall expense of the Company, may not necessarily correspond to those rates at any given time.

Q. The purpose of the cost of service analysis is to determine what the Company's cost of service will be or rather attempt to project what the Company's cost of service will be at the time that the rates take effect; is that correct?

A. I wouldn't use the word project. I mean, the cost of service is a calculation based on the current level of investment revenue and expense, that relation in developing rates based on that relationship.

Q. Cost of service ratemaking, though, then would you agree that it uses that calculation as a proxy for what the Company's cost of service will be at the time the rates take effect?

A. Well, once that cost of service is done and rates are established based on the cost of service, yes, those rights will be in effect in the future until such time as another rate change is made.

Q. And the point of those rates is to allow the Company to recover the cost of everthing that is used and useful for the ratepayers?

A. It's designed to allow the Company to earn a rate of return that -- it gives the Company the opportunity to earn a rate of return that the Commission decides is fair.

Q. And that rate of return is earned on those things which are used and useful?

A. Yes.

Q. If payroll had increased by anything more than the -- if payroll had increased significantly in the months following these rate hikes, would analyzing that wage increase into payroll be inappropriate?

A. It would be inappropriate if you didn't consider all other aspects of revenue expense and investments that correspond to that time frame in which you examine the pay increase.

Q. You would have to consider those things just in determining payroll?

A. Oh, you can calculate payroll. What you're talking about is adjusting payroll based on rates, maybe hours, number of employees at a different time frame than what the update is. Say, for example, if you went out to June of 2001, well, you cannot look at payroll in a vacuum, because you're going to have possibly increased investment. You're going to have other expenses, some decrease, some increase. So you can't look at one aspect, make an adjustment and maintain the proper relationship between your investment expenses and revenue.

Q. I understand where we're miscommunicating. I'm not suggesting that we go beyond the update period. I'm simply suggesting that -- let me back up.

In Mr. Griggs' testimony, he says that the level of payroll did not increase significantly in the months following the wage increases, you're familiar with that testimony?

A. Yes.

Q. If that had not been true, if within the update period or even during the test year wage salary had increased significantly, payroll had increased, would analyzing that payroll adjustment for the entire test year have been appropriate?

A. Yes.

Q. Do you think that the Company's cutting its accident rate could be beneficial to ratepayers?

A. I think that was the same question that you asked earlier in the deposition, and conceivably, it could. I'm not certain exactly how that would translate.

Q. I think earlier I asked it with reference to earnings per share. Do you suppose that cutting lost workdays could be beneficial to ratepayers?

A. It would be a benefit to ratepayers to the extent that any costs, savings or efficiencies due to that are incorporated into the tariffed rates. Anything that takes place while rates are in effect, any cost increases or efficiencies that decrease expenses is not going to endure to the benefit of the ratepayers until such time that those are incorporated into the tariffs.

Q. Well, is it possible that fewer lost workdays could improve service?

A. I don't know.

Q. If half of your service technicians are always sick, and then the Company reduces that to a quarter of them always being sick, do you think that service might improve?

A. I don't know.

Q. Do you think that having better trained employees might benefit ratepayers?

A. If it translates to better efficiencies, and those efficiencies are reflected in the tariffs, yes.

Q. Do you think that ratepayers might benefit from an improved call center?

A. Conceivably, yes.

Q. How about simply from effective Company efforts to improve its customer satisfaction ratings?

A. Any activity undertaken by the Company to improve its service, will be beneficial to the ratepayer in terms of quality of service, in terms of what the ratepayer pays, that may or may not be beneficial depending on, you know, if there's a cost involved or if there's efficiencies that reduces the rates, and the cause and effect is actually incorporated within the tariff rates.

Q. Do ratepayers benefit if the Company manages to reduce outages?

A. Those people affected by the outages, I'm sure.

Q. You have qualified most of these answers just now with the notion that these cost savings are only passed along to the ratepayer. If those savings are incorporated in to, I guess, the next term of rates, would that be a fair summation of your concern here?

A. Not only just the cost savings, cost savings, cost increases, anything that takes place that changes the cost of service is not going to translate into any change to the ratepayer until such time as those are reflected in new tariffs.

Q. Is that also true for regulation under -- let me back up.

If the Company increases its productivity, but holds its cost steady, the Company has an opportunity to earn more profit; is that correct?

A. Assuming that productivity translates to higher revenues associated with those costs, that's a possibility, yes.

Q. The Company does sell electricity on the wholesale market, does it not?

A. Yes, it does.

Q. If the Company increases its kilowatt hour productivity and domestic, by which I mean ratepayer demand stays constant, the Company has more electricity to sell in the wholesale market, would you agree with that?

A. Assuming no change in their native load to serve their regular customers, and they were able to produce the extra power to sell it, yeah. Theoretically, yes.

Q. And when the Company makes savings in the various other areas I listed just now, you agreed that Company profits may rise even if ratepayers don't actually see the benefit of that immediately; is that -- or doesn't see the benefit of it until it's incorporated into the rate structure?

A. Yeah. Any change in the Company's cost of service will not be reflected to the benefit or the detriment of the ratepayers until such time as that is incorporated into the rates.

Q. You agreed earlier before lunch that under the EARP, the Company shares certain levels of revenue with its customers, didn't you?

A. Yes. And my answers that I've been giving has been under the -- within the context of conventional ratemaking. Under the EARP situation, any cost savings that would increase the earnings per share, and thus increase the possible return on equity the Company may be receiving, there is an immediate flow back to the benefit of the shareholders through the credit calculation.

Q. We were talking earlier about Commission's precedence, and your understanding of the way the Commission has ruled on incentive plans. Is it Staff's understanding that an incentive plan should be disallowed from cost of service simply because it benefits shareholders?

A. I think in the context of most of the orders that the Commission has come out, at least my interpretation is that I think it's implied that it's of no benefit to the ratepayer. Assuming there's a benefit, if the benefit is not going to the ratepayer, I guess it has to go someplace and that would be the shareholder.

Q. So in your view, might a plan be permissible if it benefits both shareholders and ratepayers?

A. If it can be documented that there's benefit, you know, to the shareholders, as well as the ratepayer, I assume that there would be some recognition of that cost.

Q. I'm sorry. Recognition of that cost?

A. Well, you're talking about an incentive program.

Q. You mean within the cost of service?

A. Within the cost of service.

Q. Would you agree that utilities have a right to earn a fair return on their investment?

A. Do they have the right?

Q. Yes.

A. I think the term that I'm more accustomed to is that through the Commission's decision, that the company is given the opportunity, not necessarily the right, but the opportunity to earn a fair and reasonable rate of return.

Q. You're right. I misspoke. You're correct on that.

Did you take this, the right to this opportunity into consideration when you were reviewing Mr. Griggs' testimony?

A. No, I did not.

Q. Do you know what Mr. Griggs took into account when he was writing his testimony?

A. No, I do not.

Q. Has the Staff made a judgment that utilities should not be earned -- should not be afforded the ability to earn a fair return on investment in human capital?

A. Has the Staff made a determination not to allow a return on human capital investment?

Q. On investment in human capital?
A. No, I don't think that's correct.
Q. Let's turn to page 9 of the written testimony. On line 19 a discussion begins, and I'm going to just summarize this. And the gist of the discussion is that in '98, '99 and 2000, the plans paid out their entire amount, and that this therefore weakens any incentive to improve performance because it creates an expectation that all available funds will be distributed. Is that a fair paraphrasing of that discussion?
A. Actually I think your paraphrasing was actually longer than the actual statement. According to the Company's response to Staff Data Request No. 55, the entire amount available to fund the plans was expended during each of the 12 months ending 1998, 1999 and 2000. This further weakens the link between the plans in improving present performance because there is less incentive to improve performance if all available funds are used, is the exact language in the testimony.
Q. And then it goes on to discuss, This conclusion is drawn because of their results and expectation that all available funds will be distributed?

A. Yes.

Q. Do you know whether the Company has always paid out all money available under its incentive plans?

A. No.

Q. Do you know whether, for instance, in 1996 and 1997 the Company paid out all funds available under its then existing incentive plans?

A. No, I do not.

Q. Do you remember any documentation regarding payouts in 1996 and 1997 in Mr. Griggs' work papers?

A. No, I do not.

Q. In the 1999, 2000 -- let me back up.

In the years referred to in this paragraph, do you know whether the criteria for payout were satisfied?

A. For 19-- let's see. In 1999, I mean, if they reach the max in terms of earnings per share. 1998, I don't know.

Q. If payout has occurred when the terms of the various plans have been satisfied, would that create an expectation that payout will occur in cases -- at times when the requirements of the plans have not been satisfied?

A. Could you repeat that one, please?

Q. If payout has occurred when the terms of the plan have been satisfied, would that create an expectation that payout will occur when the terms for the plan have not been satisfied?

A. I don't know if that's a possible situation. If the plan has been satisfied, how can it not be satisfied?

Q. I meant in a different year.

A. Could you restate the question then, so I can understand it.

Q. Yes. It is my understanding -- let's just walk through what is being said, being testified to by Mr. Griggs in this paragraph. Mr. Griggs, as I read him, is essentially saying that in the 12 months ending '98, '99 and 2000, the entire amount available to fund the plans was paid out; is that correct?

A. Yes.

Q. He then goes on to say that -- he goes on to say that if there's an expectation that all funds will be distributed, that will reduce the incentive to improve performance somehow. And I'm just curious as to where that incentive comes from?

A. This particular sentence in here, I think the implication is that if you've got X amount of dollars that are going to be distributed or there's so much that funds the plan, there's an anticipation that all that is going to be distributed. So there may be some individuals that because maybe amount of dollars is being distributed based on a function, that maybe they don't have to be as productive as somebody else as long as the entire function meets the criteria.

Now, I don't know if that is the case or not, and the total thought process behind this is I don't know if I've absorbed, you know, everything that he meant to imply in this statement.

Q. Do you know whether at any time the Company has paid out under one of its incentive plans in a situation where the requirements for paying out under the plan hadn't actually been reached?

A. No, I do not.

Q. Do you think that an employee could reasonably draw the conclusion, given what answer you just gave, that at some point in the future, the Company will payout even if the requirements are paying out are not reached?

A. I think there could be a situation if you're an individual of a group as long as the requirement to the group had satisfied the goals. I think the anticipation may be of an employee that maybe his performance wasn't as good as maybe the others, but because the entire group had succeeded, that he's entitled to a share of the incentive as well.

Q. Would that be true for individual performance goals?

A. Oh, I think that's probably what it should boil down to once it's given to the function. And I believe it's indicated within the plans that dollars are given to the function, and then within that function, the manager has the discretion for the distribution of that. So where you may have, say, a 3 percent of base, there may be an employee that might be given something in excess of that, and somebody else given less than that. So to the extent that that occurs, then, again, it's a manager's discretion as to how he wants to distribute those dollars.

Q. Eric desperately wants you to look at something there.

Mr. Griggs (sic), you testified earlier some general familiarity with performance goals --

I just did it, didn't I? I just called you Mr. Griggs?

A. I started to say Mr. Griggs didn't.

Q. Mr. Gibbs, you testified earlier to some general familiarity with various performance goals, but I think you said you hadn't committed them all to memory, am I remembering that correctly?

A. Yes.

Q. Let's take a performance goal such as, for instance, increasing -- reducing sick time. Once the Company's employees achieve that goal in a particular year, will that goal therefore automatically be achieved for all future years?

A. No.

Q. Would you agree, though, that they have to reachieve it each year?

A. Under any incentive plan, I think the goals and the targets are reestablished in each succeeding year.

Q. And would you agree that even if the goals for each year are the same goal, they still have to be reached individually in each year?

A. Yes.

Q. So would it be true then that hard work to achieve a goal in one year, doesn't carry forward to future years?

A. Yes.

Q. Should the fact that an employee receives a bonus or a benefit for achieving a goal in one year, create an expectation that the employee will be compensated for that accomplishment in a future year?

A. As I indicated earlier, the goals and targets are established each year. Whether or not a particular target is reduced, increased, would be something that they would attempt to look at in the context of the incentive plan.

Q. Do you think there's any relationship between the size of a performance goal -- I'm sorry -- the size of an incentive payout and the likelihood of an employee achieving an incentive payout?

A. In terms of a specific goal, I'm not aware that they have degrees of achievement. You either reach the goal or you don't.

Q. Let me just attach the numbers, and I think I'll make the question clearer. If an employee was permitted to participate in an incentive plan whereby that employee would receive a bonus for reducing their number of sick days from the previous year, let's say, by 25 percent, do you think the employee would be more likely to meet that goal if the payout was one dollar or one million dollars?

A. That's a far-strung hypothetical, and I think if it was a matter of collecting a dollar or a million dollars, I mean, they probably couldn't keep me in bed.

Q. So you would agree that at some level there is a relationship on the size of a reward and the likelihood of an employee achieving the goal to which the award is attached?

A. If the incentive program is designed correctly, yes.

Q. Let's turn to page 15 and talk about injuries and damages. Mr. Gibbs, will you tell me what adjustment S-19.13 is all about?

A. Descriptively in the Staff's revenue requirement calculation, it's referred to as normalized injuries and damages expense. And basically what that means is we're trying to develop what we believe to be a normal annual level of expense to be incorporated into the rates.

Q. And on what do you base that normal annual level?

A. In this particular incidence, I believe it was based on a five-year average of actual net write-offs.

Q. I'm sorry. Write-offs?

A. I referred to it as write-offs, but it's the actual expenses that were incurred that were charged against the accrued reserve.

Q. That accrued reserve would be for injuries and damages, yes?

A. Yes.

Q. Do you have any understanding of how the Company currently accrues or currently treats or accounts for injuries and damages?

A. Generally an estimate is made and accrued for. I don't know specifically if it addresses specific cases or if it's just an overall estimate, but it's to provide what the Company anticipates it's going to cost in future outlays of cash to settle legal commitments.

Q. Do you know whether Mr. Griggs understands how the Company currently accounts for injuries and damages expenses?

A. I think he had an understanding that you had -- that there was an accrual and then actual charges or actual costs were charged against the reserve. Other than that, I don't know if he had any further knowledge of how the Company accounts for the accrual of the write off.

Q. Have you ever heard of a case captioned Zoltec Corporation versus Union Electric Company?

A. No, I have not.

Q. How about a case captioned Groh, G-r-o-h, versus Union Electric Company?

A. No, I have not.

Q. How about Tyll, T-y-l-l, versus Union Electric Company?

A. I'm not familiar with any specific cases involving Union Electric and someone outside of the company.

Q. Other than that one?

A. Other than what you just quoted me, yes.

Q. No. I mean other than this rate case?

A. Oh. But this doesn't go through injuries and damages. It may eventually depending on the outcome, but . . .

Q. Would the same answer then be true for the test year, can I assume that you have no familiarity with any specific case in which the Company may have been facing legal exposure pending during the test year?

A. Yes, that is correct.

Q. Do you know of any analysis done by yourself, Mr. Griggs or anyone on the Staff, to test the Company's accrual for injuries and damages for reasonableness?

A. I do not believe so.

Q. Do you know whether the Company's outside auditors audit the Company's accrual in this area for reasonableness?

A. That would be something that they would look at.

Q. Has the Staff ever looked at or asked for those studies?

A. The analysis of the outside auditors with regards to injuries and damages?

Q. Yes.

A. Not in this proceeding.

Q. Are you aware of it ever being done?

A. Yes. Normally in a typical rate case procedure, one of our standard data requests of the company is to provide access to the outside auditor's work papers for which we will review.

Q. Are you aware of any member of the Staff ever conducting an analysis to compare the Company's accrual for injuries and damages with outstanding liabilities for injuries and damages?

A. No. But that is the purpose of the accrual. It's difficult to determine -- it's difficult to compare the accrual to the liability because that's what the accrual is being established for is that potential liability that the company has estimated.

Q. Has any member of the Staff ever looked at the cases on which that estimation is made in order to determine whether it is accurate?

A. No, we have not. But just as a clarification with the line of questions, I just wanted the record to show that the Staff's methodology actually increased expenses as opposed to decreased expenses when we -- in our methodology as compared to the Company's accrual during the test year.

Q. You would agree, though, that the Staff's methodology creates a number that is lower than the injuries and damages expenses that have been to the Company in other recent years?

A. I don't think that I actually looked at previous years in terms of its relationship to the test year.

Q. You did take an average, didn't you?

A. We used an average. But I mean, you asked me if that average or one we had calculated was ever less than what the Company accrued for in other years. And our analysis merely looked at a five-year average and compared it to the test year accrual to develop our adjustment.

Q. If the Staff's methodology was wrong on prior years where the accrual exceeded charges, wouldn't it result in a reduction rather than an increase?

A. The methodology can go both ways. It just so happens in this particular instance, the five-year average was greater than what the test-year accrual was.

Q. Are you familiar with the GAAP accounting principles?

A. Yes, I am.

Q. Do you know whether GAAP requires accrual for reasonably measurable outstanding liabilities?

A. Yes.

Q. Yes, you are familiar?

A. I understand that GAAP normally relates to the accrual method of accounting, although FAS 71 has available items for public utilities for the Commission may decide to use something other than the normal GAAP.

Q. Recognizing that the Commission is not bound by GAAP, has the Staff had any internal discussions on whether or not to embrace GAPP's accrual requirements?

A. In a general sense, there has been discussions, not necessarily in regards to any particular issue. The thing that predominantly comes to mind, is the Staff was a strong advocate of the Pasugo method with regards to Ofibs and pensions. And have for the most part throughout the state for jurisdiction and ratemaking associated with these items, have gone to the accrual method under the FAS 87 and 106.

Q. Do you know whether Staff has had any inquiry into why accruals may have been particularly large in any given year limiting ourselves to the years included in the five-year average?

A. I can't say that I'm aware of any.

Q. For instance, are you aware whether in 1998 a drunk helicopter pilot flew his helicopter into a power line?

A. Excuse me?

Q. Are you aware of a case in 1998 involving a helicopter pilot who was inebriated and flew his helicopter into a power line?

A. No, I'm not.

Q. And can I extrapolate from that, that you're not aware of whether that resulted in the need to accrue substantially more funds for injuries and damages than have previously been in the case?

A. No, I do not.

Q. Are you aware of any currently outstanding liability in asbestos cases?

A. No, I'm not.

Q. Did Mr. Griggs perform any calculations other than a five-year average for treating injuries and damages?

A. He may have, but I have not seen anything in the work papers that I have in my possession that he had put together.

Q. If accrual in any particular year was significantly larger than in other years due to an event of a magnitude not in keeping with the Company's -- the things that the Company ordinarily has to accrue for, would it be appropriate to exclude that event from this calculation?

A. I think that just depends on the