

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

IN THE MATTER OF UNION ELECTRIC)
COMPANY D/B/A AMEREN UE FOR)
AUTHORITY TO FILE TARIFFS)Case No. ER-2008-0318
INCREASING RATES FOR ELECTRIC)
SERVICE PROVIDED TO CUSTOMERS)
IN THE COMPANY'S MISSOURI)
SERVICE AREA.)

DEPOSITION OF DANIEL BECK,
ENGINEERING ANALYSIS SUPERVISOR

TAKEN OCTOBER 31, 2008

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OF THE STATE OF MISSOURI

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6 SERVICE PROVIDED TO CUSTOMERS IN)
THE COMPANY'S MISSOURI)
7 SERVICE AREA.)
8

9 DEPOSITION OF DANIEL BECK, produced, sworn and
10 examined on the 31st day of OCTOBER, 2008 between the
11 hours of ten in the forenoon and one in the afternoon
12 of that day at the offices of MISSOURI PUBLIC SERVICE
13 COMMISSION, 200 Madison Street, in the City of
14 Jefferson City, State of Missouri, before Susannah L.
15 Walmsley, a Registered Professional Reporter, CSR and
16 Notary Public, within and for the State of Missouri,
17 in a certain cause now pending before the Public
18 Service Commission of the State of Missouri, IN THE
19 MATTER OF UNION ELECTRIC COMPANY D/B/A AMEREN UE FOR
20 AUTHORITY TO FILE TARIFFS INCREASING RATES FOR
21 ELECTRIC SERVICE PROVIDED TO CUSTOMERS IN THE
22 COMPANY'S MISSOURI SERVICE AREA; taken behalf Ameren.
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12 By Stephen Rackers, Auditor
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14 WITNESS:
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15
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(Exhibits 1-7 marked for identification)

DANIEL BECK,

of lawful age, having been first duly sworn to tell the truth, the whole truth, and nothing but the truth, deposes and says, behalf Ameren, as follows:

DIRECT EXAMINATION

MS. TATRO: I guess we should start by identifying everyone in the room.

I'm Wendy Tatro and I'm the attorney for AmerenUE.

MR. WILLIAMS: I'm Nathan Williams. I'm an attorney for the staff.

MR. BECK: Daniel Beck. I'm a witness for the staff.

MS. TATRO: And on the phone we have?

MR. RACKERS: Steve Rackers. I'm an auditor with the staff.

MS. TATRO: I don't believe there is anyone else on the phone?

MR. RACKERS: Not with me.

BY MS. TATRO:

Q. Mr. Beck, can you identify for me your position with the Commission staff?

A. I am the Engineering Analysis Supervisor with the Energy Department and that is in the Operations

1 Division.

2 Q. How long have you held that title?

3 A. Approximately four years.

4 Q. What did you do before that?

5 A. Before that time I was an engineer in similar
6 capacities.

7 Q. For the Commission?

8 A. For the Commission, yes.

9 Q. And how long did you hold that position?

10 A. I have been with the Commission since 1987,
11 so approximately 21 years.

12 Q. And were you an engineer that entire time
13 except for the four years you've been in your current
14 position?

15 A. Actually, when I started my title was, I was
16 in the Economic Analysis Department and my title was
17 Operations Research Specialist which is a branch of
18 Industrial Engineering.

19 Q. And in your current position as Energy
20 Analysis Supervisor; is that what you said?

21 A. Engineering Analysis Supervisor.

22 Q. Engineering. Tell me what you do in that
23 job?

24 A. The engineering analysis section is
25 approximately, well, let me count, seven staff members

1 and I am the supervisor of them, but I also do work in
2 the various energy areas. Primarily these days I do
3 most of my work in electric, but I also do some work
4 in natural gas, so regulations.

5 Q. Okay. Tell me about your educational
6 background?

7 A. I have an industrial engineering degree from
8 the University of Missouri, Columbia.

9 Q. So you've never moved?

10 A. I actually lived in St. Louis for three and a
11 half years after graduating where I worked for what
12 was called the NAVPRO, N-A-V-P-R-O, or the Naval Plant
13 Representative Office. I was a civilian federal
14 employee and in essence we regulated at that time
15 McDonnell Douglas.

16 Q. Interesting. Now you are the same Daniel I.
17 Beck who filed rebuttal testimony in ER-2008-0318;
18 correct?

19 A. Yes.

20 Q. Have you been deposed before?

21 A. No. I've been on the list several times and
22 I've sat through depositions, but never been deposed.

23 Q. All right. Well, hopefully it won't be too
24 bad of an experience for you.

25 As we go through this if I ask you questions

1 you don't understand or I am in any way unclear let me
2 know and I will rephrase, reask, do something to make
3 it understandable.

4 Is there any reason that you shouldn't be
5 deposed today that you know of?

6 A. No.

7 Q. You aren't sick or on any medication or
8 anything that would impact your ability to answer a
9 question?

10 A. No.

11 Q. As we go through this if you need a break,
12 let me know.

13 A. Okay.

14 Q. This deposition is not adversarial so I want
15 you to feel free to say something if you feel the need
16 to do so.

17 You have the Notice of Deposition. I saw
18 that you brought the documents that were requested.
19 And we've marked, I think, several of them as exhibits
20 so as we go through this we'll talk about those. And
21 one of those is a copy of your rebuttal testimony.
22 You have that; right?

23 A. It's in the stack there, yes.

24 Q. I think that's been marked as Exhibit 7.

25 And today I'm going to be focusing on the

1 portion of your testimony that talks about the
2 Vegetation Management and Infrastructure Inspections.
3 I'm not going to be talking about the FERC 7-Factor
4 Test.

5 A. Okay.

6 Q. I'm going to ask you to define the term
7 vegetation management for me.

8 A. The term vegetation management, and in my
9 testimony I used the term tree trimming that is
10 sometimes used interchangeably, but in truth
11 vegetation management is the trimming of trees on the
12 easements of an electric utilities, power lines, but
13 it also includes spraying vegetation, any task that is
14 required to control vegetation within the easement.

15 And that's why the tree trimming while
16 commonly used doesn't totally describe the effort.

17 Q. But when you say tree trimming you are using
18 the terms interchangeably?

19 A. I am. And it was partially due to the way of
20 how it was being used in various witnesses' testimony
21 and I feel comfortable with that as long as everyone
22 explains it up front.

23 Q. Okay. I will probably use those terms
24 interchangeably as well.

25 A. Okay.

1 Q. Now you are familiar with UE's request for
2 the tracker accounting authorization for treatment
3 with costs associated with the compliance? And I'm
4 going to talk about vegetation management for now.

5 A. Okay.

6 Q. You are familiar with that request?

7 A. Yes.

8 Q. Can you tell me has any other investor owned
9 utility made a similar request?

10 A. When you say similar are you talking
11 specifically about a tracker because as I see Ameren's
12 request it has three components.

13 Q. Okay. Spell those out for me.

14 A. Okay. Quite frankly, I feel like they are
15 spelled out in the rebuttal testimony of Ron Zdebar.

16 Q. Are you familiar with that testimony?

17 A. Yes, I am.

18 Q. Okay.

19 A. And in that testimony he has three different
20 time periods. The first one is January 1, 2008
21 through September 30th, 2008. And for that he is
22 requesting a three year amortization.

23 The second time period is October 1, 2008 to
24 March 1, 2009 and for that he is requesting an
25 accounting deferral to be dealt with in the next rate

1 case.

2 And then the third time period is from March
3 1, 2009 to what I believe is February 28th, 2010 which
4 would be a full one year period and for that he is
5 asking for a two-way tracker.

6 Q. Has any other Missouri investor owned utility
7 asked for -- let's start with the first. Have any of
8 them asked to have costs amortized over -- and maybe
9 the years were different?

10 A. Yeah. To my knowledge, no. The nine month
11 amortization requested there, no.

12 Q. Okay. How about the accounting deferral
13 mechanism?

14 A. Again, to my knowledge, no.

15 Q. How about the tracker?

16 A. Yes. Empire District Electric requested a
17 tracker in its last rate case.

18 Q. Are you familiar with Empire's last rate
19 case?

20 A. Yes, I am.

21 Q. Did you file testimony?

22 A. I did not.

23 Q. Who filed testimony on this issue for staff?

24 A. Mark Oligschlaeger.

25 Q. Do you supervise Mr. Oligschlaeger?

1 A. No.

2 Q. Did anyone in your division work on this?

3 A. I certainly had conversations with Mr.
4 Oligschlaeger regarding the topic. I don't know if
5 anyone else in my division did or not, I really
6 couldn't say, but I certainly talked to him about the
7 topic while he was the staff witness on this.

8 Q. Okay. And I wouldn't be asking about any
9 conversations that might be construed as privileged so
10 if there was an attorney present I would not be asking
11 you about those conversations, but the conversations
12 you had with him about the position that staff took in
13 Empire, did you discuss what his position should be?

14 A. I think more a matter of, if I could explain,
15 that Mr. Oligschlaeger is an auditor and I am an
16 engineer and I was more explaining from an engineering
17 perspective the rules that were at that time, well,
18 they were being adopted at that time. They actually,
19 if I remember correctly, they actually went into
20 effect just after that order came out.

21 Q. So you are familiar with the recommendation
22 of Mr. Oligschlaeger?

23 A. Yes.

24 Q. The recommendation he made?

25 A. Yes. We do refer to him as Oli.

1 Q. I like that.
 2 And do you agree with that recommendation?
 3 A. Yes.
 4 Q. What was the recommendation then in the
 5 Empire case?
 6 A. The Empire case was to set a tracker. I
 7 think areas of disagreement between staff and the
 8 company were what level of base rates should be used
 9 to set that.
 10 Q. Any other area of disagreement between Empire
 11 and staff that you know of?
 12 A. Not that I remember.
 13 Q. Do you know if staff was recommending a
 14 one-way tracker or a two-way tracker? First of all,
 15 do you know what I mean when I say one-way tracker and
 16 two-way tracker?
 17 A. Yes.
 18 Q. Why don't you tell me the difference.
 19 A. A one-way tracker would simply set a target
 20 and only keep track of the amount. Typically that
 21 amount would be -- if the amount that was actually
 22 spent was under the target that would be tracked and
 23 dealt with in the following year, although it could go
 24 either way.
 25 Q. What does it mean "dealt with in the

1 following year?"
 2 A. I'll take, I'll use the example of the
 3 one-way tracker that AmerenUE agreed to in the last
 4 rate case. What happened was that if there would be,
 5 for example, \$2,000,000 that was under a targeted
 6 level that was not spent the agreement was that the
 7 following year the targeted level plus an additional
 8 \$2,000,000 would be spent to, in essence, make sure
 9 that that funding level provided the work required.
 10 Now the other component of that is if those
 11 expenses went above that targeted level the company
 12 would not receive any compensation for that.
 13 Q. And that's a one-way tracker?
 14 A. That's a one-way tracker.
 15 Q. So describe a two-way tracker for me, please.
 16 A. A two-way tracker would simply set a target
 17 and then account for, I believe, the correct term is
 18 liabilities and, I'm sorry, I'm drawing a blank here.
 19 Q. Do you want to look at the Empire order; is
 20 that what you are looking for?
 21 A. Yeah. I think it had it. If you can get the
 22 order out that would be great.
 23 Q. And the Empire order has been marked as
 24 Exhibit 4?
 25 A. The term I was looking for is assets.

1 Q. Assets, okay.
 2 A. And then those liabilities or assets would be
 3 deferred and dealt with in the next rates case in the
 4 manner in which the Commission saw fit.
 5 Q. So what is the regulatory liability, I know
 6 you are not an accountant, but to the best of your
 7 understanding?
 8 A. To the best of my understanding a regulatory
 9 liability is an expenditure that took place in
 10 previous years that was not explicitly dealt with in
 11 rates at that time and therefore it is set up in a
 12 liability account to deal with in a future case.
 13 Q. And what would a regulatory asset account be
 14 then?
 15 A. It would be the same thing except instead of
 16 having an expenditure it would be money that wasn't
 17 expended, so it would be that difference between a
 18 target and the actual expenditure when the actual
 19 expenditure was below the target.
 20 Q. Let's go back to the Empire order, the staff
 21 position in the Empire case. Was the staff position
 22 to recommend, did they recommend a one-way or a
 23 two-way tracker; do you know the answer to that
 24 question?
 25 MR. WILLIAMS: I'm going to object based

1 on relevance to this case, but go ahead and provide an
 2 answer.
 3 BY MS. TATRO:
 4 Q. If you don't know, Dan, it's fine.
 5 A. In reviewing the order I see that the staff
 6 has recommended a target and then any shortfall would
 7 be accrued the following year plus interest while any
 8 amounts in excess of the target would not be deferred.
 9 So that would be defined as a one-way tracker.
 10 Q. Okay. Now is that the position you are
 11 taking in this case with AmerenUE's request?
 12 A. No.
 13 Q. So you are representing a two-way tracker?
 14 A. That's correct. However, to be fair, we are
 15 recommending that there is some cap, but that cap
 16 would be above the targeted level.
 17 Q. Okay. We will get to that.
 18 A. Okay.
 19 Q. Did you know in the Empire case what dollar
 20 amount increase Empire expected to be faced with in
 21 the next year to comply with vegetation management
 22 infrastructure rules; do you know what dollars were at
 23 risk there?
 24 A. I believe Empire claimed 6.1 million dollars.
 25 Q. And that was the increase they were facing?

1 A. It appears that that was the ongoing tree
 2 trimming cost and I don't have a breakdown of that.
 3 Q. Okay. And if you don't know the answer, Mr.
 4 Beck, it's fine to say you don't know.
 5 A. Yes. And again, I was not the witness in
 6 that case.
 7 Q. Right.
 8 A. I spent more of my time describing the rules
 9 than the specifics of the numbers.
 10 Q. Well, let's talk about the rules.
 11 A. Okay.
 12 Q. You are familiar with the Commission's rules
 13 on vegetation management; right?
 14 A. Yes.
 15 Q. Did you participate in the rule making for
 16 the vegetation management role?
 17 A. Yes, I did.
 18 Q. And you are familiar with the staff comments
 19 that were filed in the rule making?
 20 A. Yes.
 21 Q. And in fact, you were the staff witness at
 22 the hearing, weren't you?
 23 A. Yes.
 24 Q. Tell me what the Commission's purpose was in
 25 adopting the vegetation management rules at least as

1 far as you understand it.
 2 A. My understanding is that we were attempting
 3 to set a minimum level of requirements regarding
 4 vegetation management; the hope that that would
 5 ultimately be reflected in greater reliability for
 6 customers.
 7 Q. And you agree that's an appropriate purpose?
 8 A. Yes.
 9 Q. What was the effective date of the vegetation
 10 management rules?
 11 A. June 30th, 2008.
 12 Q. Do you know as part of that rule making
 13 process did the Commission anticipate that these rules
 14 were going to require Missouri investor owned
 15 utilities to expend more money on vegetation
 16 management?
 17 A. I can't say what the Commission did or did
 18 not anticipate, but from everything I've read and
 19 understand I think that was the general understanding
 20 of almost all of the witnesses.
 21 Q. Did staff support the vegetation management
 22 rules as adopted?
 23 A. Yes.
 24 Q. And did your testimony support the vegetation
 25 management rules as they were adopted?

1 A. Yes.
 2 Q. Do you hold that same belief today?
 3 A. Yes.
 4 Q. Tell me why you support the rules.
 5 A. I think they provide a good minimum set of
 6 standards for vegetation management and also deal with
 7 issues like customer notification, customer education,
 8 that I do believe should result in greater reliability
 9 on a going forward basis.
 10 There will be varying degrees of that for
 11 different utilities because different utilities had
 12 different vegetation management cycles that they were
 13 operating under, but I think in general for all of the
 14 utilities it should result in some reliability and
 15 improvement in the long-term.
 16 Q. So the benefit of the rules to the customers
 17 are notification, education, better reliability?
 18 A. Uh-huh, yes.
 19 Q. Are there benefits to any group other than
 20 utility customers that you think the rules provides?
 21 A. I think in some way it benefits the
 22 utilities.
 23 Q. How so?
 24 A. By setting out standards. It helps clarify
 25 what the minimum level of vegetation management should

1 be in the State of Missouri.
 2 Q. Okay. And the benefits to, and mostly we'll
 3 talk about customer benefits here, but those benefits
 4 come from the vegetation management activities
 5 themselves; right?
 6 A. Yes.
 7 Q. So that benefits occur whether the work,
 8 whether the vegetation management work was done July
 9 1st or June 27th; do you agree?
 10 A. Yes.
 11 Q. Do you agree that generally Missouri investor
 12 owned utilities when they increase the scope of their
 13 vegetation management activities that that action in
 14 and of itself is in the public interest?
 15 A. I hesitate because I think there is a cost
 16 and a benefit that has to be weighed and at some level
 17 the cost is greater than the benefit. And in fact, I
 18 think the Commission looked at adopting more stringent
 19 rules and determined that the cost did not outweigh
 20 the benefits and did not choose those more stringent
 21 rules because of that.
 22 Q. Can you give me an example of what you mean?
 23 A. Requirements, for example, that the -- that
 24 all vegetation has to be cut from below the line no
 25 matter what.

1 It sounds strange, but you have situations
2 where lines go over deep ravines and you can literally
3 have a full grown tree below a utility line that is in
4 no way coming close to that line and therefore there
5 is no reason to cut that full grown tree. So I think,
6 you know, using common sense in rules is important.

7 Q. I believe in your testimony you talk about
8 the fact that AmerenUE began compliance with the rules
9 early?

10 A. Uh-huh.

11 Q. Do you remember that?

12 A. Yes.

13 Q. Do you know when AmerenUE began compliance
14 with, I'll say it in quotes, "the rules" because they
15 were not in effect until June 30th, but do you know
16 when that work began?

17 A. Well, I would have to say the majority of the
18 rule regards the four year cycle for urban and six
19 year cycle for rural and that component of the rule
20 has been in effect. Ameren has used that as an
21 operating procedure to my knowledge for at least the
22 last eight years.

23 And I'm not sure how far back that goes, but
24 Ameren has been spending the last four years to, in
25 essence, catch up to that cycle and so I think for the

1 vast majority of the rule Ameren has and where most of
2 the dollars would be spent to comply with the rule,
3 Ameren has been working on that literally for the last
4 four years.

5 Now for specific components like the
6 education, the customer notification, I think that
7 Ameren has made modifications to their process
8 probably in calendar year 2008. I don't know anymore
9 specifics than that.

10 Q. Would you consider early conforming
11 vegetation management practices to the rule early to
12 be a good thing?

13 A. I think that, yes, I think in general those
14 are good things.

15 Q. Would you consider it a prudent action on the
16 part of the utility?

17 A. Yes, to the extent that they could know which
18 parts of the rule were and were not going to be
19 actually enacted because, again, we did have much more
20 stringent rules discussed at one point.

21 Q. Were the more stringent rules discussed --
22 let me back up. Was there more than one rule making
23 started on vegetation management rules by the
24 Commission?

25 A. Yes, there was.

1 Q. And those more stringent proposals, which
2 rule making were they in?

3 A. They were discussed in both rule makings, but
4 I guess to maybe get to where you are going, we, the
5 Commission, approved a set of rules as a part of the
6 first rule making, but that rule did not go into
7 effect due to what I would refer to as a clerical
8 error and therefore a second rule making process was
9 required.

10 Q. So the rules that were proposed as part of
11 the second rule making process, were those similar to
12 the rules that were eventually adopted out of that
13 second rule making process?

14 A. They were similar to that and they were also
15 similar to what was approved by the Commission in the
16 first rule making process.

17 Q. Okay.

18 A. Realizing that approval with the Commission
19 does not make the rule, does not implement the rule.
20 There are additional steps. And that's where the
21 clerical error occurred.

22 Q. But in either account the type of vegetation
23 management that is required by the rule is prudent
24 action that a utility would and should undertake;
25 would you agree with that?

1 A. In my opinion, yes, I think that by the
2 Commission setting these rules it helps define what is
3 or is not prudent.

4 Q. Let's talk about the specific requirements of
5 the rule. You've mentioned the four and six year
6 cycle. Can you tell me what that means?

7 A. It basically means that every four years for
8 urban which is in Ameren's case the majority of their,
9 Ameren UE's case, the majority of their distribution
10 lines. Those lines would be trimmed and/or the
11 vegetation management, whichever is -- and maybe even
12 both is required for a specific line. And the goal is
13 that by doing that trimming one would not need to come
14 back for another four years, that within that four
15 year time period the growth would not infringe on the
16 lines.

17 The six year cycle is the same thing, it's
18 just that's the requirement for a rural area because
19 it is more remote and typically customers are more
20 supportive of more extensive trimming therefore giving
21 you a longer period between trimming cycles.

22 Q. Okay. What else does the rule require?

23 A. The rule also requires a mid-cycle
24 inspection. And then if that inspection would simply
25 identify areas where tree growth took place more

1 extensively than expected and at that point requires
2 if there is a serious issue that the company would do
3 what is typically referred to as hot spot trimming.

4 The rule requires an education component that
5 isn't maybe a large component of the rule, but it does
6 in essence require an annual notification of customers
7 about tree trimming, vegetation management.

8 The rule also has notification requirements
9 and those notification requirements would take place
10 in the short time period right before the trimming
11 cycle is going to take place.

12 Q. Anything else?

13 A. Other than that I think most everything else
14 is just kind of dealing with the specifics about the
15 standard practices and techniques that you would use
16 to do the trimming.

17 Q. Is there any kind of required distance to
18 trim?

19 A. If I could have a copy of the rule?

20 Q. That's been marked Exhibit 6.

21 A. Yes. It just so happens that that section of
22 the rule is Section 9 titled Specific Requirements and
23 I think I would point to 9(B) 1, 2 and 3. And there's
24 three different levels of trimming required depending
25 on the voltage level of a specific line.

1 Q. Okay. What are those requirements?

2 A. For conductors energized above 50,000, above
3 50,000 volts, 15 feet or to the edge of the
4 right-of-way. For 600 volts through 50,000 volts, 10
5 foot or, again, the edge of the right-of-way,
6 whichever is less. And the third requirement is for
7 subtransmission lines and three phase distribution
8 feeders/backbone circuits, trimming to remove vertical
9 overhanging limbs and the above widths would actually
10 apply.

11 Q. And just to make sure that I understand it,
12 any of those requirements that you just went through,
13 the four to six year cycle, the mid-cycle inspection,
14 the trim distance, the notification and the education,
15 had those been required by the Commission prior to the
16 adoption of these rules?

17 A. No. The Commission had no requirements,
18 specific requirements for vegetation management at
19 all.

20 Q. Okay. Do you know what cycle Empire trimmed
21 on prior to these rules?

22 A. It's my general understanding that they used
23 a 10 year cycle with more emphasis on what I would
24 refer to as hot spot trimming, trimming the problem
25 areas.

1 Q. And they didn't differentiate between urban
2 and rural?

3 A. No.

4 Q. What about KCP&L?

5 A. KCP&L also had a program that dealt with, I'm
6 not sure I would call them problem areas, but somehow
7 prioritized various areas and so there was to my
8 knowledge no specific cycle.

9 Some areas got cycles as short as two years,
10 for example, at least that's the shortest example that
11 I'm aware of and I'm aware of another area that they
12 had that was eight years. And I don't know how that
13 averaged out or how that actually worked for any
14 specific average.

15 Q. Okay. And what about Aquila when it was
16 Aquila?

17 A. I honestly off the top of my head don't
18 recall the specifics of their program.

19 Q. The second requirement that you talked about
20 was the visual inspections at mid-cycle?

21 A. Yes.

22 Q. Do you know if Empire had been doing that
23 prior to the rule?

24 A. No.

25 Q. No, they weren't or no, you don't know?

1 A. No, they had not. Obviously since they had
2 an emphasis on hot spot trimming there had to be some
3 way to get feedback, but my understanding was that was
4 either by customer feedback or by an informal
5 inspection by employees.

6 Q. And by informal you mean what?

7 A. I just mean that in the course of doing their
8 normal duties if they saw an area that needed work
9 they would notify the proper people within their
10 utility.

11 Q. Okay. What about KCP&L, do you know if they
12 did any type of visual inspections?

13 A. It's my understanding that they did not have
14 a standard inspection either, that they used
15 information from employees, information regarding
16 outages and customer notifications.

17 Q. How about Aquila?

18 A. I think in general they relied heavily on
19 customer notification and notification from their
20 employees, but that's all the detail I remember on
21 them.

22 Q. Okay. On the trim distance requirement that
23 you discussed are you familiar with what Missouri
24 utilities, you know, how far back they had been
25 trimming from lines prior to the rule?

1 A. In general, yes.

2 Q. Okay. What had UE been doing?

3 A. I don't think any of the utilities really had
4 a specific footage requirement, instead what they had
5 was a process where the trimmer used his judgment and
6 knowledge about things like the growth rate of trees
7 and also where previous trimming had occurred to do
8 the trimming, so there was no specific footage that
9 they were using.

10 Q. Do you think having the specific minimum
11 footage requirement is superior to the alternative
12 method of relying upon the trimmer's knowledge and
13 expertise?

14 A. I think that a combination of both is
15 actually the superior alternative. I think that the
16 15 foot distance for the -- well, again, ultimately
17 the utility can only trim to the edge of the
18 right-of-way, but the process outlined in the rule I
19 think is a good minimum standard, but I think that a
20 better way to conduct trimming is to meet that
21 standard and then use the tree trimmer's knowledge to
22 trim trees in the way that they've been trained.

23 Q. So pretending for a moment that there is no
24 right-of-way issue?

25 A. Okay.

1 Q. Everything, your opinion is that everything
2 should be trimmed 15 foot which I guess is the first
3 requirement, right?

4 A. Right.

5 Q. But there may be times when you should trim
6 further?

7 A. And it would have to do with the growth of
8 the trees. Some species grow much faster than others.
9 And you can also, the trimmers for example, certain
10 trees when a limb breaks off something called a sucker
11 is created which is a very fast growing limb that is
12 often very weak and trimmers typically identify that
13 and trim those away so that they don't create a
14 problem.

15 Q. I think the next portion of the rule that you
16 identify was the customer notification requirement?

17 A. Yes.

18 Q. Do you know if Missouri utilities had been
19 providing notification prior to trimming areas of
20 their system?

21 A. In general there was some level of
22 notification; however, as a staff from time to time we
23 would be contacted from customers that indicated they
24 received no notification. I do believe that the
25 majority of the time customers were notified, but I

1 think it wasn't consistent.

2 Q. Do you know specifically about Empire's
3 practices prior to the rule making?

4 MR. WILLIAMS: I'll object again at this
5 point because I don't see the relevance of costs
6 Empire may have had because of a change in the rule as
7 bearing on what costs AmerenUE may be seeking to
8 recover because of the rule.

9 MS. TATRO: Okay.

10 A. I don't know a lot of the specifics about
11 Empire's notification process. I do know they had
12 some type of process in place, but I don't know how
13 that was actually carried out.

14 BY MS. TATRO:

15 Q. How about KCP&L?

16 A. Same thing for them. I know they had a
17 process in general in place, but I don't know the
18 specifics. For example, whether the subcontractor was
19 in charge of notifying the utility, any of those
20 specifics I just don't know.

21 Q. And Aquila?

22 A. The same with Aquila.

23 Q. Okay. And the outreach and education
24 programs that you talked about, do you know if
25 Missouri utilities had been providing that information

1 prior to the rule making?

2 A. The only outreach and education that I'm
3 aware of would be information provided on the
4 utilities' websites and to my knowledge all of the
5 utilities had some level of information on their
6 website and that obviously is a great start, but I
7 don't think that any of the utilities really had much
8 of a formal process in place.

9 Q. Are you familiar with Commission docket
10 EW-2004-0583?

11 A. Yes, I am.

12 Q. And what was that docket?

13 A. It started out as a docket created as a
14 spin-off from a complaint. The complaint was actually
15 in regards to a customer brush hogging their field and
16 hitting a guy wire. G-U-Y wire.
17 The spin-off docket then to my understanding
18 was set up to more generally report back to the
19 Commission AmerenUE's vegetation management practices.
20 And Alan Bax wrote a staff report to that regard, I
21 believe, in June of 2004.

22 Q. Were you involved in that docket?

23 A. Subsequent to that the EW docket was actually
24 used for AmerenUE to file quarterly reports on
25 vegetation management and I've been involved in both

1 the agreement that was arrived at for those quarterly
2 reports and then the review of those quarterly reports
3 ever since.

4 Q. You said you were involved in the agreement
5 that resulted in those quarterly reports. Is that the
6 agreement that resolved the docket?

7 A. The agreement actually was a response from
8 AmerenUE in regards to staff recommendations for the
9 2004 storm report, but that report was not done in a
10 docket and therefore the EW docket was used as a place
11 where that information could be filed.

12 Q. Okay. And you were involved in that part of
13 the process?

14 A. Yes.

15 Q. So did the EW docket to which we are
16 referring to or the portion from the 2004 storm report
17 that was subsequently placed into the docket, did --
18 what requirements did those have of UE or what
19 commitments did UE make?

20 MR. WILLIAMS: I'm going to object to the
21 question as being ambiguous. I'm not sure you are
22 asking what requirements were imposed on UE or what
23 requirements UE committed.

24 MS. TATRO: I asked both.

25 BY MS. TATRO:

1 I'm only referring to the vegetation management
2 related commitments.

3 A. At the heart of their commitments they made
4 commitments to increase funding for tree trimming and
5 they made, I'll quote it, "Commits that its backlog of
6 extended tree trimming cycles will be eliminated on or
7 before December 31, 2008".

8 Q. When they say, when that letter says backlog
9 of extended tree trimming what do you understand that
10 to mean?

11 A. Basically at that time the average urban
12 cycle was, I believe, approximately five years instead
13 of four, four being what Ameren's internal policy was.
14 And I believe the lag in the urban area was something
15 closer to like seven and a half years. And so the
16 commitment here was to get back to that four/six year
17 cycle realizing that you can't return to that
18 overnight.

19 Q. Okay. Did that commitment include any type
20 of minimum clearance distance?

21 A. No.

22 Q. Did it include any mid-cycle inspections?

23 A. No.

24 Q. Customer notification?

25 A. No.

1 Q. Let's start with what you believe was imposed
2 upon UE. Are you wanting something from the stack?

3 A. Yeah, I'm wanting a document with Ron
4 Zdellar's with AmerenUE.

5 Q. Okay.

6 MS. TATRO: He is referring to Exhibit 3.

7 A. I believe this document outlines the
8 requirements in AmerenUE's response to number one.
9 There's some other responses and recommendations here
10 that deal with other issues other than vegetation
11 management, but number one deals with tree trimming
12 cycles and vegetation management.

13 What I don't know is -- it's generally my
14 recollection that the Commission ultimately approved
15 these, but I can't say that there was ever an order
16 that specifically -- I mean, I know the Commission was
17 aware of this response, as you can see it was sent to
18 each Commissioner, but I don't know that the
19 Commission actually approved this agreement. I guess
20 the distinction being if the Commission approved it I
21 guess that could be, it could be assumed that that is
22 then being imposed on AmerenUE, but -- well, I can't
23 be sure that the Commission ordered Ameren to comply
24 with their own response.

25 Q. Okay. So what commitments did UE make? And

1 Q. Did that commitment include any outreach or
2 education programs?

3 A. No.

4 Q. Do you know -- let's shift topics and move
5 forward a little bit.

6 Do you know how much money UE was spending on
7 vegetation management prior to the Commission's
8 vegetation management rule making?

9 A. In the last rate case a target of \$45,000,000
10 per year was set.

11 Q. Do you know how much UE spent during the test
12 year in this rate case?

13 A. \$45,663.

14 Q. You said 45,000?

15 A. \$45,663,000.

16 Q. Do you know what that updated number is
17 through September 30th?

18 A. No. Staff was under the understanding we are
19 going to receive that soon and there is a, I believe,
20 October -- I mean November 6th date which that's
21 required to be provided.

22 Q. Now you recommended in your testimony what
23 dollar amount for the vegetation management to be used
24 as the base?

25 A. I recommended that to use as the base the

1 \$45,663,000.

2 Q. Did your recommendation, would you adjust it
3 for the update period?

4 A. I think I would certainly take a look at it
5 and if there's something that's changed significantly
6 there I think it should be taken into consideration.

7 Q. And when we say, when I say what amount are
8 you setting as the base, what does base mean to you?

9 A. The base I guess is sometimes referred to as
10 the targeted level of expenditures for a tracker.

11 Q. So is it fair to say it's the amount built
12 into the revenue requirement?

13 A. Yes.

14 Q. Do you believe that UE's expenditures on
15 vegetation management are going to increase over the
16 next year?

17 A. I think it's likely that they are going to
18 stay the same. There's one factor that I don't have
19 specific knowledge of and that is labor rates.

20 Q. How are labor rates likely to impact?

21 A. Ameren subcontracts vegetation management and
22 so the rates agreed to with their subcontractors are
23 going to have a direct bearing on how much money they
24 need to bucket to get a certain level of work done.

25 So if, for example, labor rates went up 5 percent, you

1 know, to accomplish the exact same work you would need
2 5 percent more dollars to do that.

3 Q. Okay. So setting aside labor rates it's your
4 opinion that the money UE will need to expend to
5 comply with the Commission's vegetation management
6 rules should not be substantially different, let's say
7 calendar year '09 versus the test year or perhaps the
8 updated test year?

9 A. I think that's a true statement. And the
10 reason that I think that is that by the time we get to
11 calendar year '09 Ameren will no longer be in this
12 catch up mode regarding that previous agreement. That
13 agreement will have expired. And based on the
14 quarterly reports and the latest information that I've
15 heard that catch up effort should be completed as of
16 December 31st, 2008 which was Ameren's commitment.

17 Q. Is there any other fact or reason that you
18 formed that opinion based upon?

19 A. Other than my general knowledge of AmerenUE's
20 operations and the work that's gone on, no.

21 Q. Are you able to be any more specific what
22 general knowledge of UE's operations do you rely upon?

23 A. I have in the last four years been a part of
24 numerous meetings regarding the three storm
25 investigations of 2004, 2005, 2006, the storm

1 investigations regarding the December 2007 ice storm
2 and again the quarterly report information that we
3 receive and we have had several different meetings
4 where we discussed those quarterly reports and results
5 as well.

6 Q. And who would have attended the meetings,
7 well, from staff?

8 A. From staff I would have attended. Although
9 he is no longer here, for the first few years of those
10 meetings Warren Wood would have attended. Lena Mantle
11 would have attended. Greg Meyer who is also no longer
12 with the staff would have attended. At various times
13 attorneys attended, people from our management
14 services group attended, but I think that would be the
15 core group of people that attended those meetings.

16 Q. How about on behalf of UE who did you meet
17 with?

18 A. Ron Zdellar obviously would have been a part
19 of most of those meetings. Rick Schenk would have
20 been a part of those meetings. Ray Wiesehan would
21 have also been a part of those meetings. And I'm sure
22 that again Ameren had attorneys there also, but those
23 would be the technical people that primarily attended
24 those meetings.

25 Q. Okay. Just to make sure I'm perfectly clear,

1 any other factor that you evaluated and which formed
2 the basis of your belief that UE vegetation management
3 expenditures are unlikely to increase setting aside
4 the labor rates issue?

5 A. Again, they are still waiting for the test
6 year to update or, excuse me, not test year, but
7 true-up date, but based on what I know now, yes,
8 that's it.

9 Q. In your testimony you pointed to a statement
10 made by Richard Mark about vertical clearance of the
11 backbone sections. Do you know what I'm referring to?

12 A. Yes. I'm there now.

13 Q. Do you know when those efforts started at UE?

14 A. It's generally my understanding that Ameren
15 started those efforts in response to the storm of
16 2006, but there certainly was some lag, some time that
17 took place after that storm before that work began and
18 so at this point I really couldn't tell you a specific
19 date.

20 Q. Do you believe there's a full year of
21 vertical clearance trimming costs in the test year?

22 A. I think the start of the test year would have
23 been approximately equal to that time, but again
24 that's why staff was interested in getting the true-up
25 numbers to look at that further.

1 Q. So are you saying that you believe the
2 true-up numbers will include a complete year of those
3 costs?

4 A. I think what I'm saying is that I think the
5 -- the test year would have started April 1, 2007 and
6 in general that's about the time frame that I believe
7 Ameren began that effort, but I think the true-up
8 period which would start October 1st, 2007 will give
9 more insight into what level of effort really was
10 taking place in those first few months of the test
11 year.

12 Q. But at this point in time you are not sure if
13 it's a full year or not a full year?

14 A. To the best of my knowledge it is, but I
15 certainly would be more than happy to look at the
16 true-up information to try to verify that.

17 Q. Okay. You also pointed to Richard Mark's
18 testimony, his direct testimony talking about UE's
19 efforts on off easement trimming and tree removal. Do
20 you see that section of your testimony?

21 I apologize. I should have written down a
22 page number.

23 A. Page 6, lines 4 and 5. Okay.

24 Q. Do you know when that effort began at UE?

25 A. Again, I think that was also in response to

1 the storms of 2006 so it would have occurred at the
2 similar time frame.

3 Q. Do you believe that off easement tree removal
4 is a prudent expenditure by UE?

5 A. Assuming that the tree is somehow threatening
6 the line and, you know, it would be of benefit to
7 avoiding an outage I think it could be, yes.

8 Q. Is it required by the Commission's vegetation
9 management rules?

10 A. There is it a requirement to pursue it.
11 Again, since it is off easement the utility can only
12 do so much to do that removal, but there is -- and it
13 was very -- a great deal of discussion was put into
14 the actual wording. I think the close enough to pose
15 a threat to its energized conductors which is likely
16 to affect reliability or safety prior to the next
17 vegetation management cycle I think would be the one
18 phrase that was ultimately adopted by the Commission.

19 Q. Now is it your belief that there is a full
20 year of lease costs in UE's vegetation management
21 expenses in the test year?

22 A. Yes. Again, I believe that the effort for
23 this to place it as the same time in response to the
24 storm 2006.

25 Q. Okay.

1 A. But again, I do want to look at test year
2 data when it's available.

3 Q. And when you say test year data you mean
4 updated?

5 A. True-up data when it's available, sorry.

6 Q. Now just to make sure I understand your
7 testimony, it appears to me that you are not
8 recommending accounting authorization for vegetation
9 management costs?

10 A. For the period of January 1st through
11 September 30th?

12 Q. Right, the January 1st through September
13 30th?

14 A. That's correct.

15 Q. Why no accounting authorization, what is your
16 reason?

17 A. I stated several reasons in my testimony.
18 One was that the test year levels of expenditures were
19 right at the \$45,000,000 figure that was incurred.
20 And -- hold on here. I'm sorry.

21 A second reason was that the rules went into
22 effect on June 30th which would be six months after
23 the date that AmerenUE started.

24 One reason that I did not cite specifically
25 in my testimony was in addition AmerenUE agreed to a

1 one-way tracker in the previous rate case,
2 ER-2007-0002, and that tracker was, is in effect until
3 in essence the operation of law date for the rate case
4 that we are currently in now. So I believe that that
5 tracker covered the specific period of January 1st,
6 2008 through September 30th, 2008.

7 I did not put that in my rebuttal testimony
8 and I'm sorry I didn't, but that was specific
9 information that I've been pursuing since then.

10 Q. So you think that agreement would prohibit
11 the Commission from authorizing an accounting
12 authority for those costs or --

13 A. I think that in essence that agreement would
14 have to be thrown out, agreed to be taken out because
15 I believe that that agreement specifically covers the
16 time period we're talking about here.

17 Q. Any other reason that you didn't put it in
18 your testimony?

19 A. No.

20 Q. Now the Commission on the rules of vegetation
21 management specifically contemplate accounting
22 authorization for costs, increased costs incurred
23 outside of a test year, right? Or increased over what
24 is set in the test year, excuse me.

25 A. Accounting authorization to defer recognition

1 and possible recovery of these expenses.

2 Q. Do the rules have any minimum standard the
3 utility has to meet in order to obtain that
4 authorization?

5 A. No.

6 Q. Do they set forth any disqualification
7 standards which would prevent a utility from obtaining
8 that authorization?

9 A. No, not to my knowledge.

10 Q. Let's talk about your proposed cap on the
11 tracker. You proposed \$50,000,000 as a cap?

12 A. Yes.

13 Q. And how did you come up with \$50,000,000?

14 A. At that time \$50,000,000 was the base level
15 that AmerenUE was proposing and I determined that that
16 was approximately 7 and a half percent greater than
17 the test year expenditure and therefore I felt like
18 that was a reasonable cap of an additional 7 and a
19 half percent.

20 Q. Do you have any other reason why you think
21 that is the appropriate -- well, let's talk generally.
22 Why is a cap appropriate at all?

23 A. Just to correct myself, it was 9 and a half
24 percent.

25 Q. Okay.

1 A. If no cap were in place my fear is that it
2 would be equivalent to giving a blank check and I
3 think that some reasonable range of expenditures
4 should be defined and that's what I attempted to do
5 with the cap.

6 In the case of a situation like this the
7 costs are going to be incurred and dealt with in a
8 later rate case. It gets difficult at best to go back
9 and look at those expenses after the fact and so it
10 seems like some reasonable level of capping those
11 would make sense.

12 Q. So it's your belief that any expenditure over
13 \$50,000,000 is imprudent?

14 A. No, I don't think I can make that statement
15 at all, but when I look at the fact that the
16 \$50,000,000 figure was in essence a budget level for
17 calendar years 2009 and 10 and the actual tracker
18 period will be 10 months in 2009 and two months in
19 2010 and I look at the level of actual expenditures
20 during the test year and the 9 and a half percent that
21 that \$50,000,000 represents, all those lead me to
22 believe that that is a reasonable cap.

23 Q. So is there a potential scenario where UE is
24 complying with the Commission's vegetation management
25 standards, they are spending prudently and still they

1 would exceed the cap you are proposing?

2 A. I think there is. And I think that, you
3 know, one of the scenarios that was outlined in Mr.
4 Zdellar's testimony was the situation where they have
5 crews go to other parts of the United States and
6 therefore end up catching up in essence.

7 And I think that would be one example of a
8 situation where in a given year you could expend over
9 the \$50,000,000 and yet be prudent.

10 The only thing I will say is that given the
11 fact that we are now in almost November of 2008 and
12 that type of expenditure is because you responded the
13 previous year to a storm and therefore you are behind
14 and have to catch up, from everything I know about the
15 year 2008 it hasn't been that situation. Ameren did
16 send crews to other states, but it has not been a
17 significant impact on their ability to meet their own
18 schedules.

19 Q. But it could happen in 2009?

20 A. It could, but what will happen in 2009 then
21 is that they will actually spend below the \$50,000,000
22 target or below even the test year levels because
23 their crews, and by the way rightfully so, their crews
24 are assisting other utilities, but that would, instead
25 of causing an issue to where you are bumping up

1 against the cap, it would go the opposite way, you
2 would have lower expenditures.

3 And that whole topic was why the one-way
4 tracker was put in place in the last rate case was an
5 attempt to deal with that situation, but make sure
6 that Ameren made the investment of the \$45,000,000.

7 Q. Okay. Let's take your scenario. Let's say
8 in 2009 another hurricane hits a major city similar
9 with what happened with Katrina and Rita and UE's
10 crews are needed to do emergency work elsewhere so in
11 2009 they don't hit whatever their base target is, it
12 probably means they are not hitting the clearance
13 requirements or the four to six year requirements, it
14 probably means they are falling behind on those part
15 of the rules; would you agree?

16 A. Yes.

17 Q. So to remain in compliance they are going to
18 try to make that up in the next year, 2010?

19 A. Correct. Correct.

20 Q. So is it that they would have to spend more
21 in 2010 in order to comply with the Commission's
22 rules?

23 A. In that scenario it would seem very possible
24 that they would expend above their budgeted -- what
25 they had previously budgeted. And when I say

1 previously, that would be prior to realizing that they
2 had this catch up effort to do.

3 The only problem is that the tracker that we
4 are dealing with here is very specifically going to
5 end on February 28th, 2010 which is the expected date
6 for rates to go into effect in the next AmerenUE rate
7 case.

8 Q. What if UE doesn't file it's expected next
9 rate case, does the tracker continue on?

10 A. As I understand the proposal and my
11 understanding of the proposal is that it was strictly
12 for a one year tracker. If the company's intent is to
13 have a multi-year tracker we certainly need to get, I
14 think, go back and read the testimony. There is
15 certainly confusion there at least on my part.

16 Q. Okay. Now the trued-up test year updated
17 through September 30th, if that number comes in higher
18 than 45 do you plan, do you believe it would be
19 appropriate for the Commission to move that cap up to
20 whatever 9 and a half percent is?

21 A. I don't think there is anything magical about
22 the 9 and a half percent. You know, I think at some
23 level if the cap -- I mean, at some point if what I'm
24 proposing to be a cap, if it actually is equal to the
25 targeted level then at that point it strictly is just

1 a simple one-way tracker and so I think the cap has to
2 be above that targeted level.

3 If I was just going to pick a number out of
4 the area, 5 percent sounds reasonable, but again, I'm
5 kind of in the dark here because I don't have any of
6 those numbers at this point.

7 Q. Okay. I'm done talking about vegetation
8 management and I'd like to discuss infrastructure for
9 a moment, but I would like to break first.

10 (Whereupon a brief recess was taken)

11 BY MS. TATRO:

12 Q. I would like now to talk about the
13 infrastructure portion of your testimony. Let's start
14 by talking about the Commission's recently adopted
15 rules on infrastructure inspection adoption. Are you
16 familiar with those rules?

17 A. Yes, I am.

18 Q. And did you participate in the rule making
19 for the infrastructure inspection rules?

20 A. Yes, I did.

21 Q. Are you familiar with the staff's comments
22 following that rule making?

23 A. Yes.

24 Q. And like in vegetation management you were
25 indeed the staff witness at the hearing?

1 A. That's correct.

2 Q. For those rules; right?

3 A. Yes.

4 Q. Do you support the rules that are contained
5 within the Commission's -- that the Commission
6 adopted?

7 A. Yes.

8 Q. What do the infrastructure inspection rules
9 require of Missouri utilities?

10 A. In general they also require a four and six
11 year cycle of inspection, say, in general because they
12 also have specific requirements of more detailed
13 inspections that occur on eight and twelve year
14 intervals and there is also some requirements for
15 intrusive inspection with poles for twelve year
16 cycles.

17 Q. Are there requirements other than inspection
18 requirements?

19 A. I would say there are requirements that if,
20 I'm trying to find the words here and I can't find
21 them, but I'll just use my own language, if
22 deficiencies are found in the system and where repairs
23 need to be made then there are requirements about
24 making those repairs.

25 Q. Okay. So I think what you are telling me is

1 that the rule requires corrective action if an
2 inspection reveals some kind of problem in the system?

3 A. Yes.

4 Q. Any other type of requirements?

5 A. There are requirements to maintain records.

6 Q. Any others?

7 A. That generally sums it up to my recollection.

8 Q. Okay. To the best of your understanding what
9 is the purpose, what was the Commission's purpose in
10 adopting these infrastructure inspection rules?

11 A. Again, I think it was to set minimum
12 standards by which a general level of reliability
13 would be achieved over time for the electric
14 distribution system.

15 Q. What was the effective date of the rules?

16 A. June 30th, 2008.

17 Q. And is it your understanding that the
18 Commission anticipated that these rules would require
19 Missouri utilities to spend additional dollars in
20 order to comply? And when I say additional dollars I
21 mean dollars over what would have been built into the
22 rates?

23 A. I think that was generally what the
24 Commission believed would happen. And one of the
25 reasons I guess I would say that would be that the

1 Commission ultimately submitted fiscal notes with the
2 rule making that showed additional dollars.

3 Q. Do you know generally were Missouri utilities
4 doing this type of inspections, the four, six year
5 cycle, the detailed or intrusive?

6 A. Generally none of the utilities in Missouri
7 were doing this type of inspection. There were some
8 utilities that were performing these inspections, for
9 example, on transmission lines, but in general I'm not
10 aware of any utilities that were doing this.

11 Q. Do you know what UE was doing?

12 A. In general I don't think UE had much of an
13 inspection program going except for again the
14 transmission poles.

15 Q. When you testified at the infrastructure
16 inspection rule making you testified in favor of the
17 rule that was ultimately adopted; is that correct?

18 A. That's correct.

19 Q. And you believe that it provides benefits to
20 the customers?

21 A. I think in the long-term it will, yes.

22 Q. And what would those benefits be?

23 A. I think in the long-term it should result in
24 increased reliability. I think that there will even
25 be a little bit of a safety aspect that should result

1 For example, when a pole is determined to be weak
2 instead of waiting for it to fall down diagnosing that
3 ahead of time is always a good thing

4 Q. Anything else?

5 A. No.

6 Q. Okay. Now a utility that followed these
7 infrastructure inspections, that benefit would still
8 occur to the customer even if the Commission rules did
9 not exist; would you agree with that?

10 A. If a utility were carrying out these
11 inspection requirements absent a rule I think the
12 benefits would still be there.

13 Q. Because it's not the rule that is the
14 benefit, it's the actions mandated by the rule; right?

15 A. That's right. And in fact, ultimately how a
16 utility carries out the rule is what truly makes the
17 results effective or not.

18 Q. What was your recommendation on
19 infrastructure inspection costs in this rate case?

20 A. My recommendation was that after looking at
21 the test year monthly expenditures that I felt that
22 there was clearly a ramping up of those costs and
23 therefore using a single test year level was not going
24 to be reflective of the costs to comply with the rule.

25 And again, the hope was that we would receive

1 the true-up data. And since the first six months or
2 actually the last six months of the true-up period --
3 let me go back.

4 So the last four months of the true-up period
5 were after the rule went into effect and the months
6 prior to that it clearly showed a ramped up effort by
7 AmerenUE. When I say the months before that I'm
8 talking about the ones that were in the test year that
9 hopefully a level of ongoing requirements could be
10 determined.

11 Q. So did you come up with a base recommendation
12 amount?

13 A. I did not.

14 Q. Did you address the request for accounting
15 authorization?

16 A. Yes.

17 Q. And what was your recommendation?

18 A. My recommendation began with the fact that
19 the six month period was before the rule went into
20 effect and that that time period didn't make sense.
21 And one of the things I relied on for that was the
22 simple fact that a similar accounting authorization
23 was not given to Empire in the previous Empire case.

24 And then there's a second period which is
25 after the June 30th date that the rule went into

1 effect and my recommendation for that is that setting
2 a level of inspection costs to me seems reasonable;
3 however, including all of the repair costs associated
4 with that without some way to account for the fact
5 that Ameren makes repairs on their system every day
6 did not seem reasonable to me.

7 Q. Explain why you do not consider that
8 reasonable?

9 A. In the case of the inspection effort, you
10 know, that is literally Ameren has been ramping that
11 up from no inspection process to whatever the current
12 levels are. That's partially due to their own
13 efforts, but it ultimately is a reflection of the
14 rule.

15 For repair costs Ameren makes repairs every
16 day and if repairs are identified in the inspection
17 process and those costs are segregated I think there
18 would be a corresponding dip in the normal maintenance
19 cost for those same pieces of equipment.

20 If the inspection identifies a repair would
21 need to be made that is ultimately going to be -- and
22 the repair is done that would be a repair that would
23 no longer need to be done in a normal maintenance
24 process that the utility under goes.

25 Q. Do you think that's true of all of the

1 repairs that would occur because of the inspections?

2 A. I don't think it's true of all of the
3 repairs. One example of repairs that I could think of
4 would be the repairs made to poles. There are certain
5 repairs made to poles when you identify weak spots
6 where you can treat the pole without replacing it, but
7 if you don't do the inspection you typically don't
8 identify that that pole needs that treatment.

9 And so I think the cost of those treatments
10 would be an obvious repair that would be different
11 than what Ameren typically does.

12 Now in the long range the hope is that making
13 those treatments will avoid replacing poles entirely,
14 but I think that would be one example I would give of
15 a cost that -- of a repair or a maintenance that would
16 be above Ameren's normal level of duty.

17 Q. Would there be any other type of repair you
18 can think of that would be triggered by the rule that
19 might not already be reflected in those costs in UE's
20 rates?

21 A. I really -- I've tried to think of any
22 specifics and I haven't come up with a category.
23 There is one kind of general effort. Some of the more
24 mundane things such as squirrel guards are something
25 that get replaced kind of on an infrequent basis and I

1 think an inspection process like this will probably
2 result in more squirrel guard repairs for a few years.

3 I think in the long-term it will balance out,
4 but I think there could be some additional
5 expenditures in that one particular little category,
6 but I tried to think of any categories like that and
7 that's what I've come up with.

8 Q. Okay. So going back to make sure that I
9 captured your recommendations, you kind of put them in
10 two categories, the first being the expenditures
11 between January 1 through September 30th. You are not
12 supporting an accounting authorization, but do you
13 believe that number should be used in setting the base
14 rate?

15 A. I think, yeah, I think that information
16 should be used to help determine the base rate. I
17 think that using the budget numbers that Ameren has
18 should be part of trying to determine a base rate, but
19 I do think that should give a lot of insight into what
20 the rate should be, that nine month period.

21 Q. Okay. And then after the rule was in effect
22 are you recommending -- what are you recommending to
23 happen for the costs incurred after the Commission's
24 infrastructure inspection rules went into effect June
25 30th?

1 A. What I was recommending is that the costs of
2 the inspections, since they are clearly identifiable,
3 should be, the staff could support a deferral of those
4 costs.

5 Q. A deferral or a building into rates as the
6 base?

7 A. Well, I think they have to be built into
8 rates, but I think there's the second question of the
9 deferral.

10 Maybe I misunderstood your question. I
11 thought the question was about the deferral itself. I
12 mean, I think to determine the base rates I think we
13 need to look at both the test year and the true-up
14 period as well as the budgeted amounts, but I think
15 when you do that look I think you need to look at two
16 components, one is inspections and the other is
17 repair.

18 Q. Okay. And then for the deferral amount,
19 because obviously there are costs incurred between the
20 effective date of the rule and when the rates in this
21 rate case go into effect, right?

22 A. Yes.

23 Q. You are supporting deferral of those costs
24 for the inspection costs?

25 A. Yes.

1 Q. But not for the repair costs?

2 A. Unless some reasonable methodology to
3 identify those repairs is proposed.

4 Q. And your concern there is basically some kind
5 of double recovery?

6 A. That's correct.

7 Q. So you are supporting -- so I guess your
8 recommendation is some type of just a deferral
9 mechanism or a tracker mechanism? I just want to make
10 sure I'm clear on what you are supporting and
11 obviously I'm not.

12 A. I think I was trying to respond to what I
13 thought the company's proposal was which was a
14 deferral mechanism.

15 Q. Okay.

16 A. Now since that time, you know, after I read
17 Ron Zdellar's testimony it now looks like the company
18 was proposing to build into rates an amortization
19 through September 2008 and then a deferral from
20 October of 2008 through February of 2008 where I was
21 proposing at this time just a simple deferral from
22 July 1, 2008 through February 2009.

23 Q. So do you have an opinion in Mr. Zdellar's
24 proposal that is in his rebuttal testimony?

25 MR. WILLIAMS: I'm going to object to

1 that. You are going to see what his opinion is to
2 that in surrebuttal testimony. I think it's a little
3 premature and not a proper subject of discovery to get
4 into that subject now and instruct the witness not to
5 provide an answer.

6 MS. TATRO: That is fine.

7 BY MS. TATRO:

8 Q. Besides the double recovery concern is there
9 any other concern that leads you to or another reason
10 that leads you to the recommendation of excluding
11 repair costs?

12 A. No. The double recovery concern is my
13 concern.

14 Q. So it's kind of a philosophical opposition?

15 A. I think it's a little more than that because
16 some of the numbers that I've seen that there were
17 literally more dollars spent on inspection -- excuse
18 me, more dollars spent on the repairs or maintenance,
19 whatever you want to call them, than the inspections,
20 so I think that the repair dollars are quite
21 significant.

22 Q. So if there was a mechanism to insure there
23 wasn't dual recovery or if there is some method you
24 would -- you are not foreclosing that possibility?

25 A. No.

1 Q. If the rules require UE to do something it
2 wasn't doing before to repair, something it wasn't
3 repairing before then that would obviously not be dual
4 recovery?

5 A. Yeah. And I think that's one phrase that I
6 saw in the rule was incurs expenses as a result of
7 this rule in excess of the costs including in current
8 rates.

9 Q. Okay. And the infrastructure inspection
10 rules do require corrective action for problems
11 revealed during the inspections?

12 A. That's correct.

13 Q. And in fact, the infrastructure rule requires
14 that the utility in its annual reporting then report
15 to the Commission what repairs it did and didn't do;
16 correct?

17 A. That's correct.

18 Q. And if it didn't do corrections it has to
19 indicate why and when it will do the corrections?

20 A. Yes, that's my understanding.

21 Q. So clearly the intent of this rule is to get
22 those problems solved?

23 A. That's right.

24 Q. Now the customer benefits that you discussed
25 earlier, just like in the vegetation management they

1 are tied to the actual correction of those problems;
2 right, I mean the benefit comes because potential
3 problems in the system are corrected?

4 A. That's correct.

5 Q. When we were talking about the vegetation
6 management tracker you talked about the one-way
7 tracker that was agreed upon in ER-2007-0002?

8 A. Uh-huh.

9 Q. Was that \$45,000,000 limited strictly to
10 vegetation management; did it include any costs for
11 infrastructure inspections or anything else?

12 A. It is my understanding that that did not. I
13 believe there were some provisions regarding
14 infrastructure inspection, but it had nothing to do
15 with the tracker itself.

16 Q. Okay. And it had nothing to do with the
17 \$45,000,000?

18 A. That's correct.

19 Q. You said earlier that UE had been ramping up
20 its expenditure on infrastructure inspection even
21 prior to the June 30th date?

22 A. Uh-huh.

23 Q. Do you think those expenditures were prudent?

24 A. I certainly haven't done a detailed audit of
25 those, but the general idea of ramping up to meet a

1 rule, I think that sounds logical to the general
2 concept, sounds prudent to me.

3 Q. And if that ramp up was done in order to meet
4 the standards that later became requirements by the
5 Commission then you would agree those were prudent
6 expenditures?

7 A. Again, I can just say the general concept
8 sounds prudent. I can't say the specific numbers.

9 Q. Okay. Let's talk a little bit about a couple
10 of these that you brought with you. Specifically I
11 want to start with what's been marked Exhibit 2. Can
12 you identify this for me, please?

13 A. This is a work paper of AmerenUE witness Gary
14 Weiss.

15 Q. And what are these numbers showing us?

16 A. These numbers are showing the pro forma
17 adjustments that AmerenUE made in their, I believe,
18 direct filing. I'm hesitating because Ameren also
19 made a supplemental direct filing, but I believe the
20 numbers did not change from direct to supplemental
21 direct so I guess they would actually reflect both
22 cases.

23 Q. I'd like you to go about two-thirds of the
24 way down and it says URD Inspection and O&M Repairs.
25 What does URD stand for, if you know?

1 A. Underground is what I believe that means.
 2 Q. So it would be inspection of underground
 3 facilities?
 4 A. Yes. And that seems like a strange idea and
 5 it was discussed significantly in the rule, but
 6 underground equipment has pieces of the equipment that
 7 are above ground and most of the inspection effort
 8 would actually take place on those above ground
 9 components of an underground system.
 10 Q. And the line under that says Test Year Amount
 11 and it shows a zero?
 12 A. Yes.
 13 Q. What does that indicate to you?
 14 A. That indicates that there were zero
 15 underground inspections during the test year.
 16 Q. And how about --
 17 A. And obviously repairs, too.
 18 Q. And you don't think that number changed when
 19 the supplemental filing was made?
 20 A. To the best of my knowledge it did not
 21 change.
 22 Q. And the supplemental filing replaced budgeted
 23 numbers with actuals through March 31st, '08; is that
 24 your understanding?
 25 A. That's my understanding.

1 Q. The next category down is Streetlight
 2 Inspection and O&M Repairs; do you see that?
 3 A. Yes.
 4 Q. Those are inspections and repairs now
 5 required by the Commission's infrastructure rules?
 6 A. That's my understanding of what that category
 7 is. The street lighting was one of the categories.
 8 Q. And again, the next line down says Test Year
 9 Amount and it shows a zero. And what does that mean
 10 to you?
 11 A. It appears that that means there were zero
 12 expenditures in the test year.
 13 Q. Okay. And I'll look at this, what we marked
 14 5. Can you identify what Exhibit 5 is, please?
 15 A. Exhibit 5 is approximately seven pages of
 16 information provided to staff by AmerenUE regarding
 17 budgeted numbers and actuals for the various
 18 reliability costs and then it also includes written
 19 descriptions of how some of the budgeted estimates
 20 were derived.
 21 Q. So if we're looking at the second page of
 22 this document in the black and white it's hard to
 23 read, but that shaded part looks like it says Proposed
 24 Budget. Maybe it has a year in front of it. Can you
 25 see what it says on that?

1 A. Can I see the original?
 2 Q. It's not much better?
 3 A. Not much better, but the first area says 2009
 4 Proposed Budget and the second shaded area says 2010
 5 Proposed Budget.
 6 Q. So none of these are actuals?
 7 A. That's correct.
 8 Q. And this is O&M only; correct?
 9 A. That's my understanding, yes, operation and
 10 maintenance.
 11 Q. Did you receive this information prior to
 12 your rebuttal testimony or did you receive it after?
 13 A. Received it prior to.
 14 Q. And did you use those numbers in your
 15 rebuttal testimony then?
 16 A. No, I did not.
 17 Q. You are just relying on actuals and
 18 potentially updated actuals once they are known; is
 19 that correct?
 20 A. Although I did state that I do think looking
 21 at budgeted values has some purpose, but for this
 22 particular chart I guess I would point out that it
 23 shows a two year average for vegetation management of
 24 \$52,628,000.
 25 By the way, all of these numbers shown here

1 are shown in thousands of dollars, but in Ameren's
 2 Witness Zdejar's testimony he states that the budget
 3 numbers as of September 30th, 2008 for that two-year
 4 period has been revised to \$49,000,000. So I think
 5 these are just a snapshot in time of the budget
 6 process of AmerenUE.
 7 MS. TATRO: I don't think I have any
 8 further questions.
 9 A. Okay.
 10 MR. WILLIAMS: I'm not going to ask any.
 11 We'll waive presentment, but I want to give him the
 12 opportunity to make corrections and sign.
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CERTIFICATE OF REPORTER

I, Susannah L. Walmsley, a Registered Professional Reporter, CSR, CCR 902 and Notary Public within and for the State of Missouri, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Notary Public within and for the State of Missouri

My commission expires October 27, 2009.

I, DANIEL BECK, do hereby state that I have read the foregoing questions and answers appearing in this transcript of my deposition; that this is a true and accurate record of said answers given in response to the questions appearing herein. IT IS FURTHER STIPULATED AND AGREED, between Counsel, that this deposition may be signed before any Notary.

DANIEL BECK (REPORTED BY: SUSANNAH L. WALMSLEY, RPR, CSR)

CERTIFICATE STATE OF MISSOURI)) SS COUNTY OF ST. LOUIS)

Before me personally appeared DANIEL BECK, known to me to be the person described herein and who executed the foregoing instrument and acknowledged to and before me that he executed the said instrument in the capacity and for the purpose therein expressed.

WITNESS my hand and official seal this ___ day of ___, 2008.

NOTARY PUBLIC STATE OF MISSOURI

My Commission expires:

IN THE MATTER OF UNION ELECTRIC COMPANY D/B/A AMEREN UE FOR AUTHORITY TO FILE TARIFFS No ER-2008-0318 INCREASING RATES FOR ELECTRIC SERVICE PROVIDED TO CUSTOMERS IN THE COMPANY'S MISSOURI SERVICE AREA.

November 2, 2008

PUBLIC SERVICE COMMISSION STATE OF MISSOURI Governor Office Building Mr. Nathan Williams 200 Madison Street, Suite 800 Jefferson City, Missouri 65102-0360

Dear Mr. Williams:

Please send DANIEL BECK your copy of the deposition. Have him read over the transcript, make any corrections on the attached correction sheet and sign the original signature page before a notary public. Please retain a copy for your own records, forward a copy to all attorneys of record and return the original signature page and correction sheet to Wendy K. Tatro, attorney for AmerenUE, for insertion into the original transcript.

Thank you.

Susannah L. Walmsley

CORRECTION SHEET DANIEL BECK

Table with 3 columns: PAGE, LINE, CORRECTION. Rows 3-24.