Exhibit No.: 5
Witness: David F. Dorris
Type of Exhibit: Direct Testimony
Sponsoring Party: Holnam, Inc.
Case No. EO-2000-580

Before the Public Service Commission
of the State of Missouri

In the Matter of an Investigation Into an Alternative Rate Option for Interruptible Customers of Union Electric Company d/b/a/ AmerenUE	)))))	Case No. EO-2000-580

Direct Testimony of David F. Dorris

Holnam, Inc.

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Date 11-30-00 Case No. EO-2000-580
Reporter MQ

July 2000

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of an Investigation Into an Alternative Rate Option for Interruptible Customers of Union Electric Company d/b/a Ameren UE	))))	Case No. EO-2000-580

AFFIDAVIT OF DAVID F. DORRIS

STATE OF MISSOURI)
) ss.
COUNTY OF)

David F. Dorris of Holnam, Inc., being first duly sworn on his oath, states:

1. My name is David F. Dorris. My business address is Highway 79 North, P.O. Box 67, Clarksville, MO 63336.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony consisting of 5 pages, inclusive, all of which testimony has been prepared in written form for introduction into evidence in the above-referenced docket.

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

David F. Dorris

Subscribed and sworn to before me this 18th day of July, 2000.

CAROL SCHULZ
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: Feb. 26, 2004

Carol Schulz
Notary Public
My Commission Expires February 26, 2004

STLD01-812809-1

Before the Public Service Commission
of the State of Missouri

In the Matter of an Investigation Into an Alternative Rate Option for Interruptible Customers of Union Electric Company d/b/a/ AmerenUE	)))))	Case No. EO-2000-580

Direct Testimony of David F. Dorris

Q **PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A My name is David F. Dorris. My business address is Highway 79 North, Clarksville, MO 63336.

Q **BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A I am employed by Holnam, Inc. (Holnam) in the position of Plant Manager. Holnam is a cement manufacturing plant located near Clarksville, MO. The Plant was built in 1967 by Dundee Cement. This plant produces more than 1.2 million tons of cement for the Missouri and Illinois markets. There are currently 187 people employed at the Clarksville Plant with a payroll of over $5 million per year.

Q **WHY ARE YOU FILING TESTIMONY IN THIS PROCEEDING?**

A I will comment on why Holnam rejected taking curtailment service on AmerenUE's new Rider M.

Q HAS HOLNAM PREVIOUSLY PURCHASED CURTAILMENT SERVICE FROM AMERENUE?

A Yes. Holnam, since January 1, 1984, has purchased portions of its electrical requirements from AmerenUE under its curtailment tariff, Rate 10M (suspended). Holnam was able to purchase portions of its electrical requirements on this basis because, in some instances, cement production requirements have the flexibility to allow us to back down electrical demand when asked to do so by AmerenUE. Of course, reducing electrical demand is accomplished by reducing cement production. Reduced cement production creates operating losses in terms of lost revenues from sales of cement. However, it was a business decision which led Holnam to accept AmerenUE's Rate 10M. Holnam felt that the Rate 10M curtailment credit, coupled with the frequency of curtailments tied primarily to system reliability, was a fair balance with the production losses realized during curtailments.

Q DID AMERENUE CALL A CURTAILMENT WHILE HOLNAM WAS ON RATE 10M?

A Yes. Holnam was curtailed three to five times per year for each of the last five years. Holnam was asked to curtail down to a level of 7,000 kW or less with one-hour notice. Holnam abided by AmerenUE's request for curtailments during all of these curtailment requests.

Q IS HOLNAM CURRENTLY ON AMERENUE'S NEW RIDER M?

A No. After careful review of the proposed rider, Holnam decided against accepting service under this rider for the following reasons:

1. Curtailments were based on power market prices, rather than AmerenUE's system reliability requirements.

2. Since curtailments were tied to power market prices rather than system reliability, the frequency and likelihood of curtailments was much greater under the new rider than they were under Rate 10M, in Holnam's judgment.

3. The increased probability of curtailments, without a significant increase in the curtailment credit offered by AmerenUE, made the existing rider economically unattractive.

Q **DID HOLNAM PARTICIPATE IN THE NEGOTIATIONS WITH AMERENUE ON RIDER M?**

A Yes. The Rider M that came out of our discussions with AmerenUE gives the economic benefits to AmerenUE and could have a major impact on the customer's ability to make a product at a competitive price. A review of the main issues is given below.

1. A premium (for the right to curtail firm load) is paid to participants of Rider M based on some calculation set up by AmerenUE. When questioned about how the premium price is set, AmerenUE stated that the spreadsheets were proprietary and no one could get a copy. Our review of the information leads us to believe that it would be impossible to judge the reasonableness of the option price in relationship to the corresponding strike price and curtailment frequencies.

2. The strike price was set by AmerenUE. It did state that the strike price is negotiable, but changing the strike price will change the option price. The strike price is the preagreed upon variable curtailment credits ($/MWh) that AmerenUE would pay the customer to shutdown equipment to unload the

system. However, as stated above, there was not a clear method of tying the strike price to the option price.

3. AmerenUE would only accept wording that gives it the right to curtail power to the industrial customer on a market price basis, and not based on system reliability.

4. A third clause in the contract falls under Company and Customer Obligations. It states:

> "The possibility of interruption, curtailment or reduction of electric service caused by, resulting from, or arising out of unexpected causes or occurrences shall not be deemed to be Company (AmerenUE) exercise of any Curtailment Option entitling the customer to the payment of the Strike Price under this Rider."

This statement seems to give AmerenUE the ability to curtail power at no penalty to itself if it does not have the capacity to meet its demands. The word curtail in the first part implies that they can curtail power without paying the industrial customer for the right if it gets into trouble because of problems with its system. This is what Rate 10M gave AmerenUE, at a cost of $60 per kilowatt per year, to ensure reliability of service. Under Rider M, AmerenUE gets the same reliability for free.

5. AmerenUE is a monopoly and uses this to the best of its ability. In the "negotiations" to build a new interruptible rate agreement, AmerenUE basically rejected our proposals and insisted on implementing its proposal. It was not open to any discussion about our concerns for operation or costs from our side.

Q PLEASE SUMMARIZE YOUR EVALUATION OF RIDER M.

A Holnam could not opt for Rider M based on its uncertain operating limitations, and unacceptable economic benefits. It was better to take the fixed rate and ensure that we could supply our cement customers, than it was to hand over control of our production to AmerenUE. Even if we did opt for Rider M, we felt that we would still incur a loss for the year 2000 because the amounts offered by AmerenUE were lower than what was given in Rate 10M.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes, it does.