

FILED<sup>3</sup>

DEC 29 2006

Missouri Public  
Service Commission

|                     |                                      |
|---------------------|--------------------------------------|
| Exhibit No.:        |                                      |
| Witness:            | Gareth R. Kajander                   |
| Type of Exhibit:    | Direct Testimony                     |
| Issue:              | Rate Design                          |
| Sponsoring Parties: | Missouri Industrial Energy Consumers |
| Case No.:           | ER-2007-0002                         |

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

In the Matter of Union Electric Company )  
 d/b/a AmerenUE for Authority to File )  
 Tariffs Increasing Rates for Electric )  
 Service Provided to Customers in the )  
 Company's Missouri Service Area )

Case No. ER-2007-0002

Direct Testimony of  
**Gareth R. Kajander**

FILED<sup>3</sup>

APR 25 2007

Missouri Public  
Service Commission

On Behalf of

**Missouri Industrial Energy Consumers**

December 29, 2006

MIEC                      7/5  
 Date 3/12/07 Case No. ER-2007-0002  
 Reporter



Diana M. Vuylsteke  
Voice (314) 259-2543  
dmvuylsteke@bryancave.com

FILED<sup>4</sup>

DEC 28 2006

**BY HAND DELIVERY**

December 29, 2006

Cully Dale  
Secretary/Chief Administrative Law Judge  
Missouri Public Service Commission  
200 Madison Street  
Jefferson City, MO 65101

Missouri Public  
Service Commission

Bryan Cave LLP  
One Metropolitan Square  
211 North Broadway  
Suite 3600  
St. Louis, MO 63102-2750  
Tel (314) 259-2000  
Fax (314) 259-2020  
www.bryancave.com

RE: Case No. ER-2007-0002

Dear Judge Dale:

Attached for filing on behalf of the Missouri Industrial Energy Consumers in the above-referenced case are an original and eight (8) copies each of the following:

- Direct Testimony of William Hinckley
- Direct Testimony of Gareth Kajander,
- Direct Testimony of Albert Owen
- Direct Testimony and Schedules of Maurice Brubaker on Cost of Service, Revenue Allocation and Rate Design
- Direct Testimony and Schedules of Maurice Brubaker on Fuel Adjustmct, and
- Direct Testimony and Schedules of Jim Dauphinais (NP and HC versions)

Chicago  
Hong Kong  
Irvine  
Jefferson City  
Kansas City  
Kuwait  
Los Angeles  
New York  
Phoenix  
Shanghai  
St. Louis  
Washington, DC

And Bryan Cave,  
A Multinational Partnership.  
London

Thank you for your assistance in bringing these filings to the attention of the Commission.

Very truly yours,

Diana M. Vuylsteke  
DMV:ln

Attachments  
cc: All Parties



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

|   |   |                       |
|---|---|-----------------------|
| In the matter of Union Electric Company | ) |                       |
| d/b/a AmerenUE for Authority to File    | ) |                       |
| Tariffs Increasing Rates for Electric   | ) | Case No. ER-2007-0002 |
| Service Provided to Customers in the    | ) |                       |
| Company's Missouri Service Area         | ) |                       |

**Direct Testimony of Gary R. Kajander**

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

2    A    My name is Gareth R. Kajander and my business address is 800 North Lindbergh  
3        Blvd., C2NF, St. Louis, Missouri 63167.

4    **Q    WHAT IS YOUR OCCUPATION?**

5    A    I am Manager, Energy Procurement for Monsanto Company.

6    **Q    PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPER-**  
7        **IENCE.**

8    A    These are set forth in Appendix A to my testimony.

9    **Q    ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

10   A    This testimony is presented on behalf of the Missouri Industrial Energy Consumers  
11       (MIEC). Member companies purchase substantial quantities of electricity from  
12       AmerenUE, principally under the Large Primary Service (LPS) Rate Schedule,  
13       Rate 11.

14   **Q    WHAT IS THE SUBJECT OF YOUR TESTIMONY?**

15   A    My testimony discusses the impact of AmerenUE's rate increase proposal on  
16       Monsanto and other Missouri companies.

1 The fact that I do not address an issue should not be interpreted as approval of any  
2 position taken by AmerenUE.

3 **Q PLEASE SUMMARIZE YOUR RECOMMENDATION.**

4 A I recommend that the Missouri Public Service Commission carefully consider the  
5 adverse impact of AmerenUE's proposals in this case on Monsanto and other  
6 Missouri industrial companies, as well as the potential harm of those proposals to the  
7 State's economy.

8 **Q PLEASE DESCRIBE MONSANTO AND THE BUSINESS ENVIRONMENT IN  
9 WHICH IT OPERATES.**

10 A Monsanto is an agricultural products company headquartered in Creve Coeur,  
11 Missouri. Monsanto produces herbicides, seed brands, and seed trait technologies.  
12 Monsanto employs approximately 5,000 Missourians. Last year, Monsanto paid over  
13 \$5.5 million in Missouri taxes and made charitable contributions of nearly \$3.8 million.  
14 Monsanto operates in a globally competitive environment and has no assurance that  
15 it can pass the cost of doing business on to customers in its prices.

16 **Q HOW WILL AMERENUE'S RATE PROPOSALS IMPACT MONSANTO?**

17 AmerenUE proposes a rate increase of 43 percent for its Large Primary customers  
18 (Rate 11). This is an extremely large increase. I have managed energy procurement  
19 for over twenty years and I can't recall ever seeing such a large rate increase  
20 proposal by a regulated electric utility applied in a manner which is detrimental to so  
21 many Missouri businesses. Such a large rate increase is disruptive to planning,  
22 undermines opportunities for expansion, and makes Monsanto less competitive.

23 As Monsanto develops new agricultural traits and products to supply the increasing  
24 demand from farmers, food companies and consumers, we have begun developing  
25 plans to expand our research and development facilities. We have many research  
26 facilities around the country, and thus many options for where we build our R&D

1 expansion facilities. A 43 percent rate increase in an energy-intensive business like  
2 Monsanto's biotechnology and molecular breeding R&D operations would be a  
3 deterrent to siting our expansion in Missouri.

4 **Q HOW WILL AMERENUE'S RATE PROPOSAL IMPACT MISSOURI'S ECONOMY?**

5 Reasonable and stable electric rates are crucial to Monsanto's financial health and to  
6 the strength of all industrial companies in Missouri. A rate increase of the magnitude  
7 proposed by AmerenUE in this case will harm the state's business climate. This is  
8 particularly true with respect to the biotechnology industry. Missouri biotechnology  
9 accounts for more than 390 plant and life science enterprises, generates over  
10 170,000 direct jobs and supports 260,000 indirect jobs<sup>1</sup>.

11 Biotechnology companies are heavily involved in research and development, and are  
12 very energy intensive. Specialized equipment used by these companies includes  
13 powerful servers, centrifuges, enclaves for sterilization, mass spectrometers, walk-in  
14 growth chambers, freeze dryers, magnetic resonance imaging and fume exhaust  
15 hoods. In addition to specialized equipment, industry-imposed safety regulations for  
16 wet laboratories and clean room manufacturing centers require large amounts of  
17 power for air handling, exhausting and exchange. These laboratories often require a  
18 constant, complete recirculation of fresh air to protect workers and reduce product  
19 spoilage due to contamination. Energy used to maintain certain heat loads and fan  
20 air movement places large demands on chillers. In the case of biologics, air  
21 temperatures are usually maintained at or near refrigeration levels. In addition to air  
22 movement requirements, there is a great amount of fluid pumped through clean  
23 manufacturing centers for heat sanitation and cleaning operations, as well as steam  
24 exchange. A high tech life science laboratory will have nearly ten times the power

---

<sup>1</sup> *Blunt Touts Missouri's Biotech Industry During Meetings with Hungarian Officials, Press Announcements, Office of the Governor, March 22, 2006.*

1 requirements of a similarly sized standard office building. Because biotechnology  
2 companies are so energy intensive, energy costs are a major factor in their decisions  
3 on where to expand or locate new facilities. Missouri will be less attractive to biotech  
4 companies considering location or expansion if AmerenUE's proposals in this case  
5 are adopted.

6 Missouri has sought to become a world leader in the biotechnology industry.  
7 Governor Blunt has promoted Missouri biotechnology worldwide, and has  
8 emphasized the importance of the industry's development to the state's economy<sup>2</sup>.  
9 On December 19, Governor Blunt stated that "[a]bove all else, plant biotechnology  
10 and emerging opportunities for value-added agriculture hold the most potential for our  
11 state's future economic success". He charged his Advisory Council on Plant  
12 Biotechnology to analyze the state's life sciences environment to better capitalize on  
13 the industry's potential and to aggressively recruit new life-science companies to  
14 Missouri<sup>3</sup>. AmerenUE's rate increase proposal will take Missouri in the wrong  
15 direction. Increased electricity rates will weaken efforts to bring biotechnology  
16 investment to the state, and undermine Missouri's strong policy favoring the growth of  
17 the biotechnology industry.

18 **Q WHAT ARE THE KEY CONCERNS THT YOU HAVE TO CONSIDER TODAY AS**  
19 **YOU PERFORM YOUR JOB WITH MONSANTO?**

20 **A** I am concerned about the limited supply of domestically produced natural gas. I am  
21 concerned about the slow development of new low-cost sources in this country  
22 including coal and nuclear based technologies which can be accomplished in  
23 environmentally responsible ways. I am concerned about the growing competition

---

<sup>2</sup> *Blunt Touts Missouri's Biotech Industry During Meetings with Hungarian Officials*, Press Announcements, Office of the Governor, March 22, 2006.

<sup>3</sup> *Blunt to Discuss Plant Science Opportunities and Benefits*, Press Announcements, Office of the Governor, December 19, 2006.

1 that U.S. manufacturers face from competitors with significant advantages located in  
2 other parts of the world including the Mideast, China, and India. Lastly, I am  
3 concerned about the loss of high paying manufacturing jobs in the country and in  
4 Missouri. An article by David Nicklaus appearing in the St. Louis Post-Dispatch on  
5 December 24<sup>th</sup> touched on this last point and highlighted: 1) that the St. Louis area is  
6 significantly lagging the national average regarding job growth and 2) that the area  
7 lost 8,100 manufacturing and retail jobs in the past year.

8 **Q HOW DOES MONSANTO'S BUSINESS MODEL DIFFER FROM AMEREN'S AND**  
9 **THE REST OF THE ELECTRIC UTILITY INDUSTRY TODAY?**

10 **A** Monsanto is a technology company. We spend over \$1 million per day on research  
11 to hire some very smart scientists to develop new products which add value to our  
12 farm customers. There is no guarantee that this new technology will be accepted by  
13 our customers nor that they will pay the price to allow us to recover this significant  
14 expense. Conversely, electric utility generation is a mature industry with few  
15 technology risks. Little has changed over the years with the basic process of  
16 converting fuel to boil water, spin turbine, or to transmit power over transmission or  
17 distribution lines. In addition, we have very different geographic perspectives.  
18 Monsanto is targeting customers around the world and Ameren is focusing on  
19 customers in Missouri and increasingly in Illinois. Monsanto faces real threats from  
20 competitors all around the world. If we don't supply the best product at the lowest  
21 cost, our customers will go elsewhere to spend their hard-earned dollars. Missouri  
22 farmers must be very shrewd businessmen to effectively compete in their highly  
23 competitive global marketplace. We have to prove ourselves to our customers every  
24 planting season. Of course, utilities in Missouri face few competitive risks. They  
25 have legislated franchise territories with captive customers who pay, for most part,



1 cost-plus prices for their power. Our businesses are totally different from a risk  
2 perspective and as such justify very different returns.

3 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 **A** Yes, it does.

## Appendix A

### Qualifications of Gareth R. Kajander

1 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A Gareth R. Kajander. My business address is 800 N. Lindbergh Blvd., St. Louis,  
3 Missouri 63167.

4 Q PLEASE STATE YOUR OCCUPATION.

5 A I am Manager for Energy Procurement for Monsanto Company.

6 Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPERI-  
7 ENCE.

8 A I graduated from Indiana State University in 1974 with a Bachelors degree in  
9 Business with an emphasis in Marketing. My entire career has been spent in the  
10 Procurement field with various entities. I have worked for the Illinois State Toll  
11 Highway Authority, A.E. Staley Manufacturing Company, Riverwood International,  
12 Solutia, and my present employer the Monsanto Company. Over the past twenty five  
13 years I have had the responsibility of managing hundreds of millions of dollars worth  
14 of fuels, energy related chemicals, and utility purchases. During this time I have  
15 actively participated in and/or held leadership positions in various Industrial utility  
16 consumer groups including the Electricity Consumers Resource Council (Washington,  
17 D.C.) and various state industrial groups in Georgia, Idaho, Illinois, Indiana,  
18 Louisiana, Missouri, Pennsylvania, and Tennessee. I have previously testified before  
19 state and Federal legislative and regulatory bodies on various utility issues.