

Exhibit No.:
Issues: Decommissioning,
Asset Transfer,
General Liabilities,
Other Conditions,
Depreciation,
Reasonable and Prudent
Witness: Greg R. Meyer
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: EO-2004-0108
Date Testimony Prepared: January 30, 2004

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

FILED

APR 16 2004

REBUTTAL TESTIMONY

Missouri Public
Service Commission

OF

GREG R. MEYER

**UNION ELECTRIC COMPANY
D/B/A AMERENUE**

CASE NO. EO-2004-0108

Exhibit No. 4
Case No(s). EO-2004-0108
Date 3-25-04 **Rptr** XF

Jefferson City, Missouri
January 2004

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

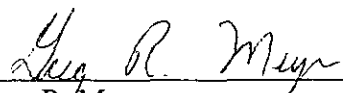
In The Matter of the Application of Union Electric)
Company, Doing Business as AmerenUE, for an)
Order Authorizing the Sale, Transfer and Assign-)
ment of Certain Assets, Real Estate, Leased)
Property, Easements and Contractual Agreements)
to Central Illinois Public Service Company, Doing)
Business as AmerenCIPS, and, in Connection)
Therewith, Certain Other Related Transactions.)

Case No. EO-2004-0108

AFFIDAVIT OF GREG R. MEYER

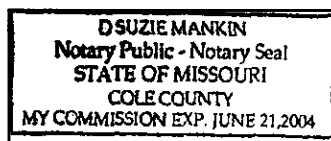
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

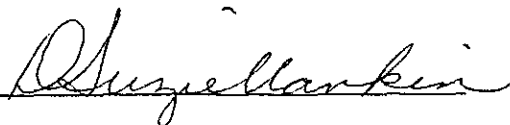
Greg R. Meyer, being of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 20 pages to be presented in the above case; that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.



Greg R. Meyer

Subscribed and sworn to before me this 30th day of January 2004.





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GREG R. MEYER
UNION ELECTRIC COMPANY
D/B/A AMERENUE
CASE NO. EO-2004-0108**

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1 **REBUTTAL TESTIMONY**
2 **OF**
3 **GREG R. MEYER**
4 **UNION ELECTRIC COMPANY**
5 **D/B/A AMERENUE**
6 **CASE NO. EO-2004-0108**

7 Q. Please state your name and business address.

8 A. Greg R. Meyer, 1845 Borman Court, Ste. 101, St. Louis, Missouri 63146.

9 Q. By whom are you employed and in what capacity?

10 A. I am a Regulatory Auditor V with the Missouri Public Service Commission
11 (Commission).

12 Q. Please describe your educational and employment background.

13 A. In May 1979, I graduated from the University of Missouri at Columbia, with a
14 Bachelor of Science degree with an emphasis in Accounting.

15 Q. What has been the nature of your duties while in the employ of the Commission?

16 A. I have supervised and assisted in audits and examinations of the books and
17 records of utility companies operating within the State of Missouri.

18 Q. Have you previously filed testimony before this Commission?

19 A. Yes. Please refer to Schedule 1, which is attached to this rebuttal testimony, for a
20 list of the major audits on which I have previously filed testimony. I also have been responsible
21 for case coordination regarding Commission cases where I did not file direct testimony.
22 Additionally, I have performed numerous audits of small water and sewer companies for rate
23 increases and certification cases.

1 Q. What is the purpose of your rebuttal testimony?

2 A. I will present rebuttal testimony concerning Union Electric Company's d/b/a
3 AmerenUE (AmerenUE or UE) request for the transfer, sale and assignment of certain assets,
4 real estate, leased property, easements and contractual agreements to Central Illinois Public
5 Service Company d/b/a AmerenCIPS (AmerenCIPS). Specifically, this rebuttal testimony will
6 address the areas of decommissioning, the assets involved in the transfer, the general corporate
7 liabilities of UE and whether the transaction is reasonable and prudent.

8 **DISCOVERY**

9 Q. Please describe the discovery procedures the Staff used in this case due to the
10 expedited procedural schedule.

11 A. The Staff reviewed AmerenUE's Application, the direct testimony of the three
12 Ameren witnesses and the Asset Transfer Agreement. As indicated in my and other Staff
13 witnesses' testimony, the analysis performed and provided by AmerenUE is not sufficient or
14 complete. The Staff submitted data requests, held several telephone conference calls and
15 attended one meeting at Ameren Corporation's (Ameren) headquarters in St. Louis, Missouri on
16 January 15, 2004. To date, the Staff has submitted 50 data requests and received responses to
17 various of these data requests. Certain Staff data requests are unanswered as yet.

18 The Staff was involved in several conference calls with Ameren personnel and witnesses.
19 The conference calls were used to gather information, check assumptions and discuss positions.
20 The conference calls were used to gather as much information as possible, in as short a time
21 frame as possible.

22 The Staff's discovery has been limited, due to the request by AmerenUE to address this
23 matter in an expeditious manner. The expedited schedule has severely limited the Staff's ability

1 to acquire the information needed to develop proposals that can be used to attempt to reach
2 resolutions. The expedited schedule has only allowed time to identify and evaluate the work
3 performed underlying the AmerenUE proposal, identify detrimental impacts of the proposal and,
4 if possible, identify conditions that must be satisfied before the Metro East transfer should ever
5 be approved.

6 Should AmerenUE seek to supplement its direct case through its surrebuttal testimony,
7 the Staff may request that the Commission modify the remainder of the expedited procedural
8 schedule that was set to accommodate AmerenUE. If such an event occurs, the Staff will request
9 an opportunity to respond to any analysis and testimony that should have been filed in
10 AmerenUE's direct case. The Staff will only make such a request if the content of AmerenUE's
11 surrebuttal testimony requires it to do so.

12 **DECOMMISSIONING**

13 Q. In the area of decommissioning, please identify the approvals or findings that UE
14 is requesting the Commission to make.

15 A. AmerenUE is requesting that the Commission make the following approvals or
16 findings:

17 1) Approving the reallocation of a portion of the Callaway Nuclear
18 Power Plant decommissioning cost, previously allocated to Illinois ratepayers, to
19 Missouri ratepayers.

20 2) Approving the reallocation of a portion of the funds currently in
21 the Illinois jurisdictional subaccount of the nuclear decommissioning trust fund to
22 the Missouri jurisdictional subaccount.

1 3) Confirming that the decommissioning expenses for the Callaway
2 Nuclear Power Plant are included in AmerenUE's current cost of service and are
3 reflected in its current rates for ratemaking purposes.

4 4) Approving AmerenUE to continue to accrue annually nuclear
5 decommissioning expense and to make contributions to the trust fund at the level
6 of \$6,214,184.

7 5) Confirming that the economic and financial input parameters used
8 in the zone of reasonableness analysis contained in the direct testimony of
9 Kevin L. Redhage continue to be valid and acceptable to the Commission.

10 Q. Please discuss the items that you listed above and the Staff's position.

11 A. In addition to the testimony that I am presenting on decommissioning,
12 Ronald L. Bible, Manager of the Staff's Financial Analysis Department also is addressing the
13 area of decommissioning in his rebuttal testimony.

14 Item 1 is AmerenUE's request that the Commission approve the reallocation of the
15 decommissioning costs for the Callaway Nuclear Power Plant (Callaway) previously assigned to
16 Illinois ratepayers to Missouri ratepayers. Contained in the asset transfer portion of AmerenUE's
17 request is the reassignment of the Callaway generation from the AmerenUE-Illinois retail
18 jurisdiction to the AmerenUE-Missouri retail jurisdiction. By proposing to reallocate all of the
19 Callaway generation, other than wholesale, to the Missouri retail jurisdiction, a portion of the
20 costs to decommission Callaway must also be reassigned to the Missouri retail jurisdiction. In
21 this regard, the expense to dismantle the Callaway plant must follow the current assignment of
22 the generation from the Callaway plant.

1 Item 2 is AmerenUE's request that the Commission approve the reallocation of the
2 decommissioning funds that have accumulated in the Illinois retail jurisdiction subaccount to a
3 Missouri retail jurisdiction subaccount. Prior to this case, the AmerenUE-Illinois retail
4 jurisdiction was allocated a portion of the Callaway generation and it funded this portion of the
5 Callaway decommissioning cost estimate. These funds were accumulated in a separate account
6 and recorded in the AmerenUE-Illinois books and records.

7 The Staff would agree that if virtually 100% of the Callaway plant is assigned to the
8 Missouri retail jurisdiction for future operations, the accumulated AmerenUE Illinois retail funds
9 to decommission Callaway must be reassigned to the AmerenUE Missouri retail jurisdiction.
10 Please refer to the testimony of Staff witness Alan G. Bax for a discussion of the method used to
11 allocate the decommissioning fund to Missouri retail and wholesale.

12 Item 3 is AmerenUE's request that the Commission confirm that the expenses to
13 decommission Callaway are currently in UE's cost of service and are reflected in AmerenUE's
14 current Missouri retail rates for ratemaking purposes. The Staff agrees that the current Missouri
15 jurisdictional annual amount of \$6,214,184 is included in AmerenUE's current cost of service
16 and is a component of AmerenUE's current rates. The \$6.2 million was an expense recognized
17 in the Staff's excess revenues/earnings complaint Case No. EC-2002-1 and, therefore, it is
18 reasonable to assume that the expense remain in AmerenUE's cost of service.

19 Item 4 is AmerenUE's request to continue to accrue annually \$6.2 million nuclear
20 decommissioning expense and to make contributions to the trust fund at that level. The Staff, at
21 this time, cannot agree to this condition. The transfer of Callaway almost totally to the Missouri
22 retail jurisdiction, except for the very small wholesale jurisdiction piece, without a corresponding
23 increase in the Missouri decommissioning expense accrual will mean that the total amount to

1 decommission Callaway at the time of the transfer will be deficient by that portion that was
2 funded by the AmerenUE-Illinois retail jurisdiction. AmerenUE seeks to have the Callaway
3 assets transferred almost totally to Missouri retail, yet requests that the funding level of UE not
4 be changed at this time to reflect this reallocation of the Callaway decommissioning cost that is
5 associated with the reallocation of the Callaway generation.

6 AmerenUE witness Kevin L. Redhage states in his direct testimony that AmerenUE must
7 make its next decommissioning filing before this Commission by September 1, 2005. At that
8 time, if this proposed transfer has been approved by the Commission, the Callaway
9 decommissioning cost recovery responsibility will be nearly 100% assigned to Missouri for the
10 determination of the proper level of decommissioning expense and its recovery from Missouri
11 ratepayers. However, in the interim period (currently through the next time Callaway
12 decommissioning expense is determined to be included in AmerenUE's Missouri retail rates or a
13 change in rates is effectuated), that portion of the AmerenUE-Illinois retail funding will not be
14 considered, as no further funding will occur.

15 The Staff would contend that during the interim period as described above, that either
16 AmerenUE-Missouri retail be required to increase its portion of the decommissioning funding to
17 reflect nearly 100% of the Callaway decommissioning cost assignment or as a condition of the
18 transfer, AmerenCIPS-Illinois would fund the current portion of the decommissioning liability
19 until the decommissioning fund is reviewed again in 2005 and any new level of funding
20 comprehensively addressed. A third alternative is for Ameren shareholders to fund this amount.
21 Under any of these alternatives, the decommissioning fund would continue to be funded as each
22 jurisdiction has previously found to be reasonable.

1 Q. Mr. Redhage asserts in his testimony that no additional increase in
2 decommissioning costs to Missouri ratepayers would be required at this time. Do you agree?

3 A. No. Mr. Redhage bases his argument on a zone of reasonableness analysis that
4 was consistent with what AmerenUE presented in Case No. EO-2003-0083. Please refer to the
5 testimony of Staff witness Ronald Bible for Staff's discussion of this area of the case. Simply
6 stated, without a continuance of the total current funding to cover the cost of decommissioning
7 Callaway, a deficit in that funding will occur as a result of this transfer from a level that
8 previously was determined to be reasonable by all parties involved.

9 Q. When does AmerenUE suggest that this Callaway deficit funding be corrected?

10 A. AmerenUE suggests that this problem will be corrected in its next
11 decommissioning filing, which must occur by September 2005.

12 Q. Couldn't the Staff wait until that time to determine if a detriment has occurred due
13 to the decrease in funding as a result of this transfer?

14 A. No. This item is before the Commission for determination now. It is most
15 logical for the parties to provide a means whereby the level of decommissioning funding will
16 continue in totality on the basis of what previously was decided on the basis of AmerenUE's
17 current decommissioning cost study. The Staff would assert that the alternatives described above
18 are possible solutions for this item.

19 Q. Please describe Item 5 and the Staff's response.

20 A. Item 5 is AmerenUE's request that the economical and financial input parameters
21 used in the zone of reasonableness analysis contained in the direct testimony of Kevin Redhage
22 be held by the Commission to continue to be valid and acceptable to the Commission. Please
23 refer to the testimony of Staff witness Bible for a discussion of this item.

ASSET TRANSFER

Q. Please describe your understanding regarding the asset transfer in this case and the approvals and findings requested by AmerenUE.

A. Ameren Corporation has authorized AmerenUE to transfer certain portions of its business from AmerenUE to AmerenCIPS. As a result of these proposed transfers, the customers and their load requirements will be reassigned from AmerenUE to AmerenCIPS. As part of this case, AmerenUE has requested the following actions from the Commission regarding the actual transfer of assets:

1) Authorize AmerenUE to sell, transfer and assign to AmerenCIPS the assets and liabilities as more particularly described in the form of the Asset Transfer Agreement, which assets and liabilities generally constitute AmerenUE's Metro East Service Area, Illinois retail electric and natural gas utility operations.

2) Authorize AmerenUE to perform in accordance with the terms and conditions in the form of the Asset Transfer Agreement.

Q. Have you reviewed the Asset Transfer Agreement (Agreement)?

A. Yes, I have.

Q. Does the Agreement specifically list the assets that are to be transferred to the AmerenCIPS as a result of this case?

A. No, it does not. The Agreement discusses and provides, in Article I on pages 2-6, the types and a general description of the assets proposed to be transferred. Attached as Schedule 2 to the Agreement is another general description of the assets to be transferred and several worksheets that purport to estimate the dollar values of the electric and gas assets. It should be noted that some of the assets to be transferred do not require a more detailed

1 explanation at this time. For example, the description of petty cash, accounts receivable and
2 uncollectible accounts is sufficient.

3 However, AmerenUE initially provided the Staff only a detailed listing of the
4 transmission and distribution fixed assets to be transferred. The Company supplemented this
5 information to provide a complete listing of the fixed assets the Company intends to transfer.

6 Q. Is a detailed listing of the fixed assets important to the Staff?

7 A. Absolutely. In order to analyze this case properly, the Staff must have adequate
8 knowledge of the fixed assets in question. This asset listing would allow the Staff to review the
9 specific assets transferred to determine whether the transfer of any of these assets would have a
10 detrimental impact.

11 By providing a detailed listing of the fixed assets and the dollar value of such assets, the
12 Staff would have the ability to determine if any detriment would be caused to ratepayers as a
13 result of this transfer.

14 Q. Does AmerenUE have the books and records to provide such a listing of those
15 assets?

16 A. Yes. AmerenUE must maintain such records to record its depreciation expense
17 and to calculate tax depreciation for income tax purposes. These records exist, however, the
18 necessary information has not been compiled for purposes of this case.

19 Q. Did AmerenUE propose to compile a detailed listing of the assets to be
20 transferred in this case?

21 A. Yes. Contained in the Agreement on page 2 is the following language:

22 1.1 Identification of Assets. Immediately prior to the Closing (as defined
23 in Section 4.1), Transferor shall identify in reasonable detail all of the
24 assets, properties, rights and interests owned, used, occupied or held by or
25 for the benefit of Transferor that are used in or related to the operation of

1 the Business at the Facilities, as the same are expected to exist as of the
2 Closing Date (as defined in Section 4.1) and as shall be more fully
3 described in a schedule to be delivered by Transferor to Parent and
4 Transferee or its authorized representatives at the Closing (the
5 "Schedule") ...

6 This supplemental listing appears to conform with the above section of the Transfer
7 Agreement. Staff has used this listing as the basis of the transaction that the Commission is
8 being requested to approve. In the event the Commission approves the Transfer, Staff
9 recommends that the Commission only approve the transfer of the assets identified by
10 AmerenUE.

11 Q. Earlier in your testimony you described a scenario where the Staff could evaluate
12 the transfer of a specific asset to determine if a detriment exists. Do you have an example of
13 when the Staff has encountered such a circumstance?

14 A. Yes. In reviewing the Application, the Staff has raised concerns in the area of
15 reliability of AmerenUE generation located in the State of Illinois due to the proposed transfer of
16 certain facilities to AmerenCIPS. Even though the Staff has been through meetings with Ameren
17 personnel and engaged in other discovery, the Staff still has concerns regarding the transmission
18 of generation from AmerenUE's power plants in Illinois to the Missouri jurisdiction. The
19 detailed lists allowed Staff to determine that transmission assets related to Illinois generation
20 being transported to Missouri were being transferred. As a result the Staff, is unable to
21 recommend the transfer of certain transmission assets to AmerenCIPS until this concern is
22 satisfied. Please refer to the testimony of Staff witnesses' Michael S. Proctor and Alan G. Bax
23 for a more detailed discussion of the area.

24 Q. Does the Staff have a proposal regarding the transfer of assets?

25 A. Yes. The Staff recommends that the Commission only approve the items
26 specifically identified by AmerenUE in this case. Therefore, the Commission should only grant

1 approval of the specific assets that are identified in the testimony of Staff witness Alan G. Bax of
2 the Commission's Energy Department.

3 This list has been modified by the list provided in response to Staff Data Request No. 1 to
4 eliminate the transmission assets located in Illinois for the reason discussed earlier in this
5 testimony and the testimony of Staff witness Bax.

6 **GENERAL LIABILITIES**

7 Q. In the area of general liabilities, what is the Company requesting of the
8 Commission?

9 A. The Company has requested the following regarding the general liabilities of
10 AmerenUE:

11 Authorizing AmerenUE to sell, transfer and assign to AmerenCIPS
12 the assets and liabilities as more particularly described in the form of the
13 Asset Transfer Agreement, which assets and liabilities generally constitute
14 AmerenUE's Metro East Service Area, Illinois retail electric and natural
15 gas utility operations.

16 Q. Please identify the general liabilities that are included within the Application and
17 describe the Company's position regarding these liabilities.

18 A. Contained in the Agreement in Article II, pages 6-9, is AmerenUE's description
19 of the liabilities that are the subject of this case. The Agreement lists the liabilities that are to be
20 assumed by AmerenCIPS at the time of closing. Those liabilities are listed below:

- 21 a) Balance Sheet
22 b) Trade payables
23 c) Contracts

- d) Liabilities and Obligations
- e) Litigation
- f) Environmental Liabilities
- g) Accounts payable
- h) Accrued payroll
- i) Vacation Liability
- j) Customer Liabilities
- k) Taxes

In a meeting held with Ameren personnel and the Staff on January 26, 2004, the Staff discussed AmerenUE's position on the liabilities listed above. Generally, the liabilities included in areas "b" through "k" listed above were the result of AmerenUE reviewing its unaudited balance sheet. Except for the Environmental Liabilities area, the liabilities that would be eligible to be transferred would be those liabilities that arose after the closing date of the proposed transfer. In other words, currently, no liabilities, except in the environmental area, would be transferred to AmerenCIPS from AmerenUE as they exist currently. AmerenUE conducted no analysis to determine if an allocation to AmerenCIPS should be applied to any liability that exists currently on AmerenUE's books.

It would appear that Ameren, the parent to this transaction, made a decision to implement the "closing date" as the date upon which assumption of liabilities would occur. Prior to the closing date, AmerenUE would assume all liabilities with the exception of the Alton Town Gas Site environmental liability. After the closing date, AmerenCIPS would assume responsibility for any liabilities that occurred related to the transferred portion of the business.

1 Q. You mentioned previously that the Environmental Liabilities area was treated
2 differently. Please explain.

3 A. In the meeting on January 26, 2004, the Staff learned that AmerenUE had indeed
4 reviewed each environmental liability of AmerenUE and assigned those liabilities based on
5 whether the liability arose due to the generation function, or as a result of the transmission
6 function or distribution function of AmerenUE. If the AmerenUE liability was assigned to
7 generation, those liabilities would continue on AmerenUE's books. Because of that analysis,
8 AmerenUE determined that only the Alton Town Gas Site liability should be assigned to
9 AmerenCIPS due to the proposed transfer. AmerenUE's analysis produced no assignment of any
10 liability to AmerenCIPS from the electric operations of AmerenUE.

11 Q. Please discuss the Staff's position regarding the area of liabilities.

12 A. The Staff has requested a listing of all the AmerenUE liabilities in order to audit
13 these liabilities for purposes of this case. AmerenUE has not provided the information requested
14 at the time of this rebuttal testimony filing.

15 Liabilities that were categorized as being the result of generation should not be totally
16 assigned to AmerenUE as a condition of the transfer. If generating facilities were responsible for
17 these liabilities, these units provided electricity to both the Missouri and Illinois retail
18 jurisdictions. It is a detriment to the public to assign liabilities almost exclusively or even
19 primarily to the Missouri jurisdiction without any further analysis than AmerenUE has
20 performed.

21 In an arms length transaction, AmerenUE would have insisted on some form of payment
22 at closing from AmerenCIPS to cover their portion of the liabilities with an agreement between

1 AmerenUE and AmerenCIPS about the allocation of costs between the two companies if those
2 liabilities become payable in the future.

3 Q. Is the Staff aware of any specific liabilities that were not considered by
4 AmerenUE in this case?

5 A. Yes. The liability associated with charges to AmerenUE from Ameren Services
6 Company (AMS) is an area that AmerenUE failed to address in its case.

7 Q. Please explain the Staff's position.

8 A. AMS is a subsidiary of Ameren Corporation. AMS provides various
9 administrative and technical support services for the parent, Ameren, and subsidiaries of Ameren
10 including AmerenUE and AmerenCIPS. AmerenUE receives service from AMS through issuing
11 a service request. The service request then becomes the billing reference for AMS to charge its
12 expenses to perform the necessary work on behalf of AmerenUE. The service request also is
13 used by AmerenUE to assign or allocate expenses between the jurisdictions (Missouri retail,
14 wholesale, and Illinois retail) that AmerenUE operates.

15 AmerenUE currently has executed approximately 1,200 service requests with AMS. In
16 response to Staff Data Request No. 31, AmerenUE attempted to identify the service requests that
17 could have charges to AmerenUE-Illinois operations. Of those 1,200 service requests,
18 AmerenUE identified approximately 300 service requests that could have charges assigned to
19 AmerenUE-Illinois.

20 In reviewing Staff Data Request No. 31, the Staff has found several inconsistencies or
21 disagreements concerning the possible assignment of charges to AmerenUE-Illinois. There are
22 instances where the service request mentions both the Missouri and Illinois jurisdictions yet no

1 possible assignment of costs was highlighted for Illinois. For service requests which involved
2 generation plants, no assignment or allocation of costs was made to Illinois.

3 Q. Does the Staff have a concern regarding the use of AMS by AmerenUE if the
4 proposed transfer is approved?

5 A. Yes. If the approximately 300 service requests as identified by AmerenUE are
6 not resubmitted to AMS reflecting the assignment of those AmerenUE-Illinois costs to
7 AmerenCIPS, AmerenUE-Missouri ratepayers will continue to pay for services from AMS for
8 costs that should be assigned to AmerenCIPS. Simply stated, AmerenUE will be overpaying for
9 the works of AMS.

10 In addition, the Staff would argue that all 1,200 service requests need to be reviewed and
11 should have been reviewed by AmerenUE as a condition of the transfer case. The review of all
12 of the service requests would provide some assurance to AmerenUE and its ratepayers of
13 reasonable allocation or assignment of costs. For example, an ongoing service request should be
14 resubmitted for assignment of costs if previously costs were assigned to AmerenUE-Illinois or if
15 the scope of work to be performed by AMS will not be as great after the transfer as before the
16 transfer.

17 Q. Please summarize the Staff's position regarding the potential liability caused by
18 the services performed by AMS as it relates to the transfer case.

19 A. AmerenUE relies heavily as do most of the regulated subsidiaries of Ameren, on
20 the services performed by AMS. AMS represents a substantial portion of the cost of service for
21 AmerenUE. To not address the potential shift of costs between AmerenUE and AmerenCIPS as
22 part of this transfer case is a deficiency of AmerenUE's Application. To also not address the
23 potential redefined scope of work for AmerenUE as a result of this case is also a deficiency.

1 Until a complete analysis can be performed of AmerenServices' functions as they relate to
2 AmerenUE, the Staff cannot recommend approval of this transaction.

3 **OTHER CONDITIONS**

4 Q. Are there other approvals which AmerenUE requests in its Application that the
5 Commission make?

6 A. Yes. AmerenUE is also requesting that the Commission make the following
7 approvals:

8 1) Authorizing AmerenUE to enter into, execute and perform in
9 accordance with the terms of all other documents reasonably necessary and
10 incidental to the performance of the transactions which are the subject of the form
11 of the Asset Transfer Agreement and this Application.

12 2) Granting such other relief as deemed necessary to accomplish the
13 purposes of the Asset Transfer Agreement and this Application and to
14 consummate the sale, transfer and assignment of the assets and related
15 transactions.

16 Q. Please discuss the two approval requests listed above and the Staff's position.

17 A. The two approvals listed above represent blanket requests by AmerenUE to
18 guarantee that if any aspect of the transfer case has been overlooked, that these requests would
19 cover such situations. The Staff is opposed to these blanket requests. As discussed previously in
20 the asset portion of this rebuttal testimony, the Staff would recommend that if the Commission is
21 disposed to grant approval, the Commission should approve only items requested by AmerenUE
22 with specificity. To approve ill defined or broad requests could have a major impact on the
23 economics of the proposed transfer and could not be studied properly before a decision for

1 approval or rejection would have to be rendered. Any Commission approval of the proposed
2 transfer should not include preapproval of unknown items as is presently being sought by
3 AmerenUE.

4 **DEPRECIATION**

5 Q. Does the Staff have any recommendations regarding depreciation expense and the
6 depreciation reserve as it relates to AmerenUE's application?

7 A. Yes. The Staff would recommend that if the Application is approved by the
8 Commission, that AmerenUE should begin to depreciate all assets transferred to AmerenUE
9 using the currently established depreciation rates of AmerenUE. In addition, the Staff would
10 recommend that the allocation of the accumulated depreciation reserve be performed in a manner
11 consistent with the allocation of assets.

12 **REASONABLE AND PRUDENT**

13 Q. Does AmerenUE believe this asset transfer case to be a reasonable and prudent
14 transaction?

15 A. Yes. AmerenUE specifically has requested that the Commission make the
16 following determination:

17 Approving as reasonable and prudent the consideration received by
18 AmerenUE from AmerenCIPS for the transferred assets and liabilities.

19 Q. Please describe the Staff's position regarding this item.

20 A. The Staff has several areas of concern regarding this area. Generally, throughout
21 the Staff's testimony, Staff witnesses have identified specific deficiencies, lack of information or
22 incomplete work that forces the Staff to recommend denial of the approval requested by the

1 Application, to the extent these areas are not corrected by AmerenUE, the Staff could not make a
2 finding that the transaction is not detrimental to the public interest.

3 In order to meet the above criteria of receiving reasonable and prudent consideration, the
4 Staff would expect AmerenUE to have determined if the consideration currently identified in the
5 Application is the maximum amount that could be obtained by AmerenUE.

6 Q. Did AmerenUE solicit bids from entities outside of Ameren Corporation to
7 purchase the Metro East property in order to establish a market value for the assets?

8 A. No. In the testimony of AmerenUE witness Craig D. Nelson, Mr. Nelson states:
9 "Ameren has no intention of selling the Metro East property to a non-affiliate. Therefore, a
10 market value is not appropriate in this transaction."

11 Q. What is the Staff's position concerning the market value of the Metro East
12 property?

13 A. Based on the Commission's experience with mergers/acquisitions of utility
14 properties by AmerenUE and other utilities operating in the State of Missouri, the majority of
15 those transactions involved a premium above net book value paid by the purchaser. The Staff
16 would assert that for purposes of this case that AmerenUE would also have received a premium
17 associated with the proposed transaction had it been to a non-affiliate of Ameren Corporation.
18 This transaction was not allowed to occur at an arms-length due to the involvement of Ameren
19 Corporation.

20 Q. Does the Staff believe that AmerenUE acted to the best of its ability on behalf of
21 its ratepayers?

22 A. The Staff has concerns about the extent that AmerenUE was allowed to operate as
23 a separate entity in the proposed transaction. Based on the above quotes from Mr. Nelson,

1 Ameren Corporation was involved in certain decisions which limited AmerenUE's ability to
2 achieve the best overall offer for the Metro East property.

3 Also in several conference calls with Ameren personnel, the Staff inquired about who
4 was directly responsible to represent AmerenUE's interest. On several instances, no individual
5 was identified, but instead, a general disclaimer was made that individuals working for AMS
6 would be looking out for both AmerenUE and AmerenCIPS.

7 Finally, in one conference call, the plant manager at the Venice power plant was
8 identified as the only individual who represented AmerenUE. The plant manager was identified
9 only because he was asked to review the transmission interconnection agreement for the Venice
10 Power Plant between UE and AMS.

11 The Staff would argue that someone with great management responsibility at AmerenUE
12 should have been responsible for executing the Transfer Agreement solely on behalf of
13 AmerenUE. Since no individual with that management responsibility has been identified to date,
14 the Staff can only assume that this Application was filed at the request of Ameren Corporation
15 with little or no input from anyone truly representing the interests of AmerenUE.

16 Because of the areas previously identified, the Staff cannot at this time recommend to the
17 Commission that the consideration received by AmerenUE for this transaction is prudent and
18 reasonable.

19 Q. Please summarize the Staff's position regarding the AmerenUE Application.

20 A. The Staff has various serious concerns regarding the proposed transaction. Given
21 the information available to the Staff at this time, and the uncertainties regarding various areas
22 which have not been resolved, the Staff has not been provided reasonable assurance that this
23 transaction is not detrimental to AmerenUE's ratepayers. Therefore, the Staff at this time cannot

1 recommend approval of this transaction and would recommend that the Commission deny
2 AmerenUE's Application.

3 Q. Does this conclude your rebuttal testimony?

4 A. Yes it does.

SUMMARY OF RATE CASE INVOLVEMENT

Greg R. Meyer

<u>COMPANY</u>	<u>CASE NO.</u>
Missouri Utilities Company	GR-79-270
Missouri Public Service Company	GR-80-117
Missouri Public Service Company	ER-80-118
Missouri Utilities Company	ER-80-215
General Telephone Company of the Midwest	TR-81-47
Capital City Water Company	WR-81-193
Missouri Utilities Company	GR-81-244
Missouri Utilities Company	WR-81-248
Missouri Utilities Company	ER-81-346
Associated Natural Gas Company	GR-82-108
Southwestern Bell Telephone Company	TR-82-199
Kansas City Power and Light Company	ER-83-49
Southwestern Bell Telephone Company	TR-83-253
Kansas City Power and Light Company	ER-85-128/ EO-85-185
Arkansas Power and Light Company	ER-85-265
Southwestern Bell Telephone Company	TR-86-84
General Telephone Company of the Midwest	TC-87-57
Union Electric Company	EC-87-114
Southwestern Bell Telephone Company	TC-89-14
GTE North Incorporated	TR-89-182
Arkansas Power and Light Company	EM-90-12
Southwestern Bell Telephone Company	TC-93-224
Laclede Gas Company	GR-94-220
Union Electric Company	EM-96-149
Laclede Gas Company	GR-96-193
Imperial Utility Corporation	SC-96-427

Union Electric Company
Laclede Gas Company
Union Electric
AmerenUE d/b/a Union Electric
AmerenUE d/b/a Union Electri
Osage Water Company
Osage Water Company

GR-97-393
GR-98-374
GR-2000-512
EC-2002-1
EO-2003-271
ST-2003-0562
WT-2003-0563