

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

TRANSCRIPT OF PROCEEDINGS

Evidentiary Hearing

April 27, 2011

Jefferson City, Missouri

Volume 18

In The Matter Of Union)
 Electric Company d/b/a)
 AmerenUE's Tariff To Increase) File No. ER02011-0028
 Its Annual Revenue For)
 Electric Service)

MORRIS WOODRUFF, Presiding

CHIEF REGULATORY LAW JUDGE

KEVIN GUNN, Chairman,

JEFF DAVIS,

TERRY JARRETT,

ROBERT S. KENNEY

COMMISSIONERS.

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1 JUDGE WOODRUFF: So we're back with day
2 two of the hearing on Ameren's request for rate
3 increase, ER-2011-0028. And today we're going to be
4 taking up storm costs and vegetation and
5 infrastructure trackers. So we'll start with mini
6 openings on this sub-issue beginning with Ameren.

7 MS. OTT: Judge, procedurally as we
8 begin, we'd like to take up the issues separately as
9 there are different Staff witnesses addressing one
10 versus the other. So if you don't mind, can we start
11 with vegetation management?

12 JUDGE WOODRUFF: That would be fine.

13 MS. OTT: Thank you.

14 MR. MITTEN: If it would please the
15 Commission. The issue with regard to vegetation
16 management is the appropriate method to recover costs
17 associated with compliance with Commission's
18 vegetation management and infrastructure inspection
19 rules.

20 Both Staff and the Company in this case
21 agree that the tracker mechanism that was established
22 for Ameren Missouri in Case No. ER-2008-0318 should be
23 continued. The tracker was put in place because
24 although everyone was in agreement that the
25 Commission's rules would increase costs for Missouri

1 utilities, including Ameren Missouri, no one could be
2 sure just how much those costs would increase.
3 Therefore, when the Commission established the
4 tracker, it indicated that at a minimum, the tracker
5 should be in place long enough to allow the company to
6 go through one full inspection cycle to see exactly
7 what effect the Commission's rules would have on the
8 company.

9 The tracker, which tracks actual
10 expenditures both above and below a base level of cost
11 that is included in base rates, then adjusts the costs
12 up and down based upon actual results. And that
13 mechanism is fair both to Ameren and its customers
14 because it ensures that the company will neither over-
15 nor under-recover the actual costs that it incurs to
16 comply with the Commission's rule.

17 In this case, MIEC proposes to
18 discontinue the tracker even though the company has --
19 is a little more than halfway through the four-year
20 initial inspection cycle for urban facilities and only
21 about a third of the way through the initial
22 inspection cycle for rural properties.

23 Now, based on that fact and the rationale
24 that the Commission employed when it implemented the
25 tracker in the 2008 rate case, we believe the tracker

1 should be continued and that discontinuation of the
2 tracker at this point would be inconsistent with the
3 Commission's objectives as stated in that Report and
4 Order. Thank you.

5 JUDGE WOODRUFF: Opening for Staff?

6 MS. OTT: May it please the Commission.
7 Based upon the Commission's guidance in Ameren's last
8 two rate cases, the 2008 and 2010, in regards to the
9 vegetation management and infrastructure inspections,
10 Staff does not oppose the continuation of the tracking
11 mechanisms. Staff wouldn't quite characterize it as
12 it supports the continuation of the two tracking
13 mechanisms, but just rather we do not oppose based
14 upon the Commission's guidance in the previous case.

15 Staff doesn't have any current additional
16 information that was presented in those two rate cases
17 to illustrate why the tracking mechanism should not be
18 terminated so today we have Steve Rackers here to
19 answer any of your guys' questions. Thank you.

20 JUDGE WOODRUFF: Thank you. Then for
21 Public Counsel?

22 MR. MILLS: I don't have a mini opening
23 for this issue.

24 JUDGE WOODRUFF: For MIEC.

25 MR. ROAM: May it please the Commission.

1 The evidence in this case will demonstrate that the
2 discontinuation for vegetation management and
3 infrastructure inspection trackers is long overdue.
4 The company will have completed its urban trim cycle
5 by the end of this year and will have completed
6 two-thirds of its rural trim cycle by the end of this
7 year.

8 Even by the company's own standards, any
9 volatility and amounts incurred for vegetation
10 management and infrastructure inspections are not
11 material to the company on a total company basis. As
12 such, the Commission should discontinue the company's
13 reliance on the trackers and return to establishing a
14 normalized level of expense for vegetation management
15 and infrastructure inspections. Thank you.

16 JUDGE WOODRUFF: Thank you. Anyone else
17 wish to make an opening on this? I do have a
18 question. The board that's over here, is anybody
19 using that for --

20 MR. ROAM: For storms.

21 JUDGE WOODRUFF: If you'd just move it a
22 few inches to the left, I can't see my full monitor
23 there.

24 MR. ROAM: Oh, sure.

25 JUDGE WOODRUFF: That's great. Thank

1 you. I have to be able to see that monitor to tell if
2 I'm muted or not.

3 MR. ROAM: Okay.

4 JUDGE WOODRUFF: Thank you very much.

5 All right. Ameren you can call your
6 first witness on the vegetation management issue.

7 MR. MITTEN: Company calls David N.
8 Wakeman, please.

9 JUDGE WOODRUFF: Okay. Good morning,
10 Mr. Wakeman.

11 (Witness sworn.)

12 (Ameren Exhibit No. 105 was marked for
13 identification.

14 JUDGE WOODRUFF: Thank you very much.
15 You may inquire.

16 DAVID N. WAKEMAN, testified as follows:

17 DIRECT EXAMINATION BY MR. MITTEN:

18 Q. Mr. Wakeman, did you cause to be filed in
19 this testimony rebuttal testimony on the issue of
20 vegetation management?

21 A. I did.

22 Q. Do you have before you a copy of a
23 document which has been marked for identification as
24 Exhibit 105?

25 A. Yes, I do.

1 Q. Is that the rebuttal testimony that you
2 prepared for this case?

3 A. Yes, it is.

4 Q. Was that testimony prepared by you?

5 A. Yes.

6 Q. Are there any changes or corrections that
7 you need to make to that testimony today?

8 A. No.

9 Q. Is the information contained in that
10 testimony true and correct to the best of your
11 knowledge and belief?

12 A. Yes, it is.

13 Q. And if I asked you the questions
14 contained in Exhibit 105 today, would your answers be
15 the same as are reflected there?

16 A. Yes, they would.

17 MR. MITTEN: I have no further questions
18 for Mr. Wakeman. I would offer into evidence
19 Exhibit 105.

20 JUDGE WOODRUFF: 105 has been offered.
21 Any objections to its receipt?

22 Hearing none, it will be received.

23 (Ameren Exhibit No. 105 was received into
24 evidence.)

25 JUDGE WOODRUFF: For cross-examination

1 beginning with looks like MIEC.

2 MR. ROAM: Can we go last on this one,
3 Judge?

4 JUDGE WOODRUFF: That's fine with me.
5 Public Counsel?

6 MR. MILLS: No questions.

7 JUDGE WOODRUFF: Staff?

8 MS. OTT: No questions.

9 JUDGE WOODRUFF: There you go.

10 MR. ROAM: The first shall be last and
11 the last shall be first.

12 CROSS-EXAMINATION BY MR. ROAM:

13 Q. Good morning, Mr. Wakeman.

14 A. Good morning.

15 Q. I'm going to show you Mr. Meyer's
16 surrebuttal testimony in this case. You don't have a
17 copy of that with you?

18 A. I do not.

19 Q. Okay. Mr. Meyer's surrebuttal testimony
20 in this case. I have an extra copy if you need it.

21 MR. MITTEN: I have a copy.

22 BY MR. ROAM:

23 Q. And I'd ask you to turn to page 13 of
24 that testimony.

25 A. Okay.

1 Q. Do you see those two tables there on
2 page 13?

3 A. Yes.

4 Q. Do you have any reason to dispute any of
5 the information reflected in those tables?

6 A. No, I do not.

7 Q. Mr. Wakeman, let me ask you a general
8 question about the purpose behind the more stringent
9 vegetation and infrastructure inspection rules that
10 were implemented by the Commission. Is part of the
11 purpose of those rules to create a more stable -- to
12 create greater stability for Ameren ratepayers?

13 A. By "stability" do you mean reliability?

14 Q. Sure.

15 A. Yes. Yeah. Absolutely. Those -- I
16 think those rules were generated in order to increase
17 reliability, improve reliability to -- for customer
18 service and to set a standard I think across the state
19 by which infrastructure inspection and vegetation
20 management would be carried out.

21 Q. Okay. And as part of those rules, one of
22 the requirements is that the -- the foliage on the
23 trees near the lines is to be trimmed back further
24 than it was prior to the promulgation of those rules;
25 isn't that correct?

1 A. Yes, that's true.

2 Q. And part of the reason for that is that
3 during a storm or during winds, the trim -- the -- the
4 limbs on those trees and the foliage on those trees
5 will be further away from the lines; is that right?

6 A. Yes.

7 Q. And the idea behind that is that it would
8 be less likely to hit the lines; isn't that right?

9 A. Yes, that's true.

10 Q. So as a result of these rules, would we
11 anticipate less damage to Ameren UE's power lines
12 during a storm?

13 A. Well, I think you'd have to look at the
14 storm specifically, because there's still certainly
15 the possibility that if a tree blows down -- I mean I
16 think it helps in milder weather, smaller storms, less
17 aggressive storms. But I think in the big storms that
18 happened, for example, just last weekend, I don't
19 think vegetation management specifically will make a
20 huge difference. It can make some difference though.

21 Q. Two storms being equal, the -- the
22 greater or more stringent requirements will -- will
23 result in less damage to the lines; isn't that
24 correct?

25 A. I would still want to say it depends on

1 the storm. Because if a tree blows down or a huge
2 part -- or a tree blows out and falls into the line,
3 doesn't really matter how much you trimmed it probably
4 then. If you talk about storms that have 30 -- 20-,
5 30-, 40-mile an hour winds, I think that's where it
6 makes a bigger difference than when you talk about
7 storms that have 60-, 70-, 80-mile an hour winds.

8 Q. Okay. So that -- let's talk about the
9 20-, 30-, 40-mile an hour windstorms.

10 A. Okay.

11 Q. So if there's two storms, one that
12 occurred prior to the trimming and one that occurred
13 after the trimming and they're both the same and they
14 both have 20- to 30- to 40-mile an hour winds, the
15 storm that happened after this more aggressive
16 trimming will result in less damage to the power lines
17 than the storm that would have -- that occurred prior
18 to these new rules; isn't that right?

19 A. Yeah. I think that would be a fair
20 conclusion.

21 Q. Okay. I want to run a hypothetical by
22 you. If you look at -- at that first table on
23 page 13.

24 A. Okay.

25 Q. If, in fact, the company incurred 50--

1 \$50.4 million of storm damage -- this is just
2 hypothetically. If it incurred exactly \$50.4 million
3 in storm recovery costs during this test year and then
4 it incurred an additional 1 million dollars in damage
5 during the true-up period -- during this true-up
6 period, isn't it true that that because of the
7 tracker, the company would be allowed to recover that
8 additional 1 million dollars in this rate case?

9 A. Yeah, I don't think I'm clear on the
10 question or the hypothetical. Are you talking
11 specifically about storm damage repair?

12 Q. That's right.

13 A. Okay. So --

14 Q. So if -- if the company actually incurred
15 \$50.4 million in storm damage for this test year --

16 A. Okay.

17 Q. -- and then it incurred an additional
18 1 million dollars in storm damage during the true-up
19 period of this year, which ended February 28, 2011,
20 because of the tracker, the company would be able to
21 recover that additional 1 million dollars that it
22 incurred during the true-up period -- it would be able
23 to recover that 1 million dollars in this rate case;
24 isn't that right?

25 A. I -- to be honest with you, I'm still

1 struggling because you're talking about storm damage
2 and we're talking about a vegetation management
3 tracker, so I guess --

4 Q. One moment. My apologies, Mr. Wakeman.
5 I was talking storms and thinking vegetation
6 management.

7 A. Okay.

8 Q. If you incurred \$50.4 million in
9 vegetation management expenses or costs --

10 A. Right.

11 Q. -- during the test year -- during this
12 test year and then you incurred an additional
13 1 million dollars during the true-up period in
14 vegetation management costs, the company would be
15 allowed to recover that additional 1 million dollars
16 in this rate case because of the tracker; isn't that
17 right?

18 A. Yeah, I think that's right with respect
19 to a prudence review and other things like that.

20 Q. Okay.

21 A. Yeah.

22 MR. ROAM: Thank you. No further
23 questions.

24 JUDGE WOODRUFF: All right. That
25 completes cross-examination then. We'll come up to

1 questions from the Bench. And Commissioner Davis, we
2 are at this moment just talking about vegetation and
3 infrastructures trackers. Storms will be handled
4 separately later.

5 COMMISSIONER DAVIS: I will pass.

6 COMMISSIONER JARRETT: I don't have any
7 questions.

8 JUDGE WOODRUFF: No questions from the
9 Bench, so no recross. Any redirect?

10 MR. MITTEN: Just have a couple
11 questions.

12 REDIRECT EXAMINATION BY MR. MITTEN:

13 Q. Mr. Wakeman, do you still have a copy of
14 Mr. Meyer's surrebuttal testimony in front of you?

15 A. I do.

16 Q. Could you again turn to page 13?

17 A. Yes.

18 Q. The top chart that appears on that page
19 shows an expense amount found in ER-2008-0318. Do you
20 see that?

21 A. Yes, I do.

22 Q. Do you happen to know what the test
23 period and true-up period was in that particular rate
24 case?

25 A. No, I do not.

1 Q. Do you know whether it occurred before or
2 after the Commission adopted its vegetation management
3 and infrastructure inspection rules?

4 A. I believe it was after the rules.

5 Q. And counsel asked you some questions
6 regarding storm re-- recovery costs and vegetation
7 management costs. So the record's clear, are those
8 two items of expense the same?

9 A. No, they're absolutely independent.

10 Q. What's the difference between storm
11 recovery costs and vegetation management costs?

12 A. Well, vegetation management costs are
13 related specifically to the cost associated with
14 implement-- implementing our plan to follow the
15 Commission rules on vegetation management. So that's
16 a specific cost category that says we're -- Commission
17 passed rules that says there's going to be certain
18 vegetation management requirements in the state, we
19 follow -- filed a plan that said how we're going to
20 meet those rules and that's the cost associated with
21 achieving that plan.

22 Storm recovery costs are related to
23 specifically addressing outages to customers that
24 occur as a result of adverse weather conditions.

25 MR. MITTEN: I have no further questions.

1 Thank you, Mr. Wakeman.

2 JUDGE WOODRUFF: Mr. Wakeman, you can
3 step down.

4 Ameren have anything else on this issue?

5 MR. MITTEN: We have no further witnesses
6 on this issue, your Honor.

7 JUDGE WOODRUFF: All right. Staff's
8 witness?

9 MS. OTT: Staff will call Steve Rackers.

10 JUDGE WOODRUFF: And Mr. Rackers, I
11 believe you were sworn yesterday.

12 THE WITNESS: Yes.

13 JUDGE WOODRUFF: So you are still sworn.
14 You may inquire.

15 STEPHEN RACKERS testified as follows:

16 DIRECT EXAMINATION BY MS. OTT:

17 Q. Would you please state your name for the
18 record.

19 A. Stephen M. Rackers.

20 Q. And are you the same Steve Rackers who
21 has previously testified in this case?

22 A. Yes.

23 Q. And you're the same Steve Rackers whose
24 direct and surrebuttal testimony has been admitted,
25 marked as Exhibit 223 and 224?

1 A. Yes.

2 MS. OTT: With that, I'll tender
3 Mr. Rackers for cross-examination.

4 JUDGE WOODRUFF: Okay. Does MIEC still
5 want to go last?

6 MR. ROAM: Sure, but we have no
7 questions.

8 JUDGE WOODRUFF: Public Counsel:

9 MR. MILLS: I also have no questions.

10 JUDGE WOODRUFF: Ameren?

11 MR. MITTEN: No questions, your Honor.

12 JUDGE WOODRUFF: Any questions from the
13 Bench?

14 COMMISSIONER JARRETT: No questions.

15 JUDGE WOODRUFF: No redirect or recross.

16 And Mr. Rackers, you can step down.

17 Mr. Meyer, if you'd please raise your
18 right hand.

19 (Witness sworn.)

20 JUDGE WOODRUFF: Thank you. You may
21 inquire.

22 GREG MEYER testified as follows:

23 DIRECT EXAMINATION BY MR. ROAM:

24 Q. Mr. Meyer, can you please state your name
25 and your business address for the record.

1 A. Greg Meyer, Brubaker and Associates 16690
2 Swingley Ridge Road, Chesterfield, Missouri 63017.

3 Q. And are you the same Greg Meyer that
4 caused to be filed direct and surrebuttal testimony in
5 this case marked as Exhibits 400-HC, 401 and 402?

6 A. Yes, I am.

7 Q. And was your testimony true and accurate
8 to the best of your knowledge and belief at the time
9 you filed it?

10 A. Yes, it was.

11 Q. Do you have any amendments or changes to
12 your testimony?

13 A. Yes, I do.

14 Q. And what are those?

15 A. In my direct testimony on page 15, line
16 23, the 13-- 130.7 should be 132.9. On page 17,
17 line 6, the 34 million should be 33.6 million. On
18 page 20, still in my direct, line 6, the figure
19 622,047 should be 621,940. And finally on page 23,
20 line 7, the 61.1 million should be 52.9. And on the
21 very next line, the 6.5 should be 5.6 million. That's
22 all the corrections I have.

23 Q. Subject to those corrections, if I were
24 to ask you the same questions today, would your
25 answers be the same?

1 A. Yes, they would.

2 MR. ROAM: Okay. At this time, I tender
3 the witness for cross-examination and offer into
4 evidence Exhibits 400, 401 and 402.

5 JUDGE WOODRUFF: All right. Exhibits
6 400, 401, 402 have been offered. Any objections to
7 their receipt?

8 Hearing none, they will be received into
9 evidence.

10 (MIEC Exhibit Nos. 400, 401 and 402 were
11 received into evidence.)

12 JUDGE WOODRUFF: For cross-examination,
13 beginning with Public Counsel?

14 MR. MILLS: No questions.

15 JUDGE WOODRUFF: Staff?

16 MS. OTT: No questions.

17 JUDGE WOODRUFF: Ameren?

18 CROSS-EXAMINATION BY MR. MITTEN:

19 Q. Mr. Meyer, good morning.

20 A. Good morning.

21 Q. The Commission's vegetation management
22 and infrastructure inspection rules which are included
23 in Chapter 23 of the rules, those became effective
24 July 30th, 2008; is that correct?

25 A. I think approximately that time, yes.

1 Q. So at the end of the true-up period in
2 this case, those rules will have been in effect only
3 slightly more than two and a half years; is that
4 correct?

5 A. At the end of -- I'm sorry. What was the
6 time period you were giving?

7 Q. At the end of the true-up period in this
8 case.

9 A. True-up. The rules would have been in
10 effect for that period of time, yes.

11 Q. Now, under Chapter 23 the minimum --
12 excuse me, the maximum interval for inspecting a
13 utility's urban facilities is four years; is that
14 correct?

15 A. Are we talking vegetation management?

16 Q. Yes. Vegetation management.

17 A. The -- all circuits have to be trimmed on
18 a four-year basis for the urban.

19 Q. And that initial interval will not be
20 completed until sometime around June 2012; is that
21 correct?

22 A. No.

23 Q. Four years out from June 2008 would be
24 June 2012. Correct?

25 A. Well, four years from -- June of 2008 to

1 June 2012 is four years, but you -- excuse me. The
2 company implemented the vegetation management program
3 on January 1st, 2008. So they -- they will complete
4 their urban cycle by December 31st, 2011 and their
5 rural cycle by December 31st, 2013.

6 Q. And what's the basis for that statement,
7 Mr. Meyer?

8 A. Looking at Mr. Wakeman's rebuttal
9 testimony, page 9 and I'll read from lines 18: My
10 response is that he is incorrect and that the trackers
11 should be continued. The company will not complete
12 its first four-year cycle for vegetation management
13 work per the full requirements of the rules on the
14 urban circuits until the end of December 2011 and its
15 six-year cycle of rural circuits until the end of
16 December 2013.

17 Q. Prior to filing your testimony with
18 regard to vegetation management in this case, did you
19 have occasion to review the Commission's Report and
20 Order in Case No. ER-2008-0318?

21 A. I reviewed portions of it.

22 Q. Do you recall in that Report and Order
23 the Commission said that because the vegetation
24 management rule is new, no one can know with any
25 certainty how much Ameren will need to spend to comply

1 with the rule's provisions?

2 A. I recall that from previous rate cases,
3 correct.

4 Q. And you also recall in that Report and
5 Order the Commission said the tracker will ensure that
6 Ameren does not over- or under-recover its actual
7 vegetation management expenditures and that the
8 tracker mechanism will reduce the risk for both Ameren
9 and its customers?

10 A. If you could refer me to that part of the
11 order, I'll be happy to look at that.

12 Q. Certainly. I'm referring to page 41 of
13 the Report and Order.

14 A. I agree with those statements you just
15 made.

16 Q. And would you agree with me that under
17 the tracker that's currently in place, only actual
18 prudently incurred expenses for vegetation management
19 will be passed on to customers?

20 A. Above the base level, correct.

21 Q. Or below the base level?

22 A. Correct.

23 MR. MITTEN: I have no further questions,
24 your Honor. Thank you.

25 JUDGE WOODRUFF: All right. Questions

1 from the Bench. Commissioner Jarrett, do you have any
2 questions?

3 COMMISSIONER JARRETT: I have no
4 questions.

5 JUDGE WOODRUFF: All right. No need for
6 recross. Any redirect?

7 MR. ROAM: No redirect.

8 JUDGE WOODRUFF: Mr. Meyer can step down.
9 And I assume that's all the witnesses then for the
10 tracker issues. Let's move on with the storm costs.
11 Separate mini opening for storm costs so we'll begin
12 with Ameren.

13 MR. BYRNE: We need just a minute, your
14 Honor.

15 MR. THOMPSON: We seem to be missing an
16 attorney, if we could have a moment.

17 JUDGE WOODRUFF: Kevin, do you know how
18 long it will be? Let's go off the record. I'll give
19 you a five-minute break.

20 (A recess was taken.)

21 JUDGE WOODRUFF: Okay. We're back from
22 break and we're ready to begin with the openings on
23 the storm costs beginning with Ameren.

24 MR. MITTEN: If it pleases the
25 Commission. The Report and Order in Case No.

1 ER-2010-0036, which was issued just ten months ago,
2 included a fairly lengthy discussion of how Missouri
3 utilities are allowed to recover the costs they incur
4 to repair storm damage and restore service. In that
5 order, the Commission described two principles of
6 rate-making that are relevant to storm cost recovery
7 issues in this case.

8 First, the Commission noted that it
9 routinely provides for the recovery of costs incurred
10 to repair damage and restore service after normal
11 storms by including an amount in the utility's cost of
12 service based upon a multiple-year average.

13 Second, the order noted that for excess
14 costs associated with abnormal storms, the Commission
15 allows the utility to a cumulate those costs and
16 recover them through amortization over five years.
17 I mentioned the Commission's discussion in that Report
18 and Order because the rate-making principles discussed
19 in that case are the basis for the non-labor storm
20 cost recovery amounts that Ameren proposes to include
21 in the cost of service in this case.

22 The evidence in this case will show that
23 the company's storm costs vary significantly from year
24 to year. For example, for the 12 months ended
25 December 8th, incurred storm costs -- storm recovery

1 costs totaled almost \$4.8 million while for the
2 succeeding 12-month period, those costs almost doubled
3 to more than \$9 million.

4 Because costs fluc-- fluctuate so
5 significantly, Ameren Missouri proposes to normalize
6 the amount of storm recovery cost included for
7 rate-making purposes in this case based upon a true
8 47-month average of actual incurred costs. That
9 average yields a proposed expense amount of
10 approximately \$7.1 million.

11 In addition, because there were abnormal
12 storm costs actually incurred through the true-up
13 period in this case, Ameren proposes to amortize the
14 difference between the normalized amount and the
15 actual incurred amount over five years; thereby
16 ensuring that the company will fully recover all of
17 its costs to repair and restore service after storms.
18 Again, the cost recovery mechanism that Ameren is
19 proposing in this case is exactly the one that the
20 Commission endorsed in the company's last rate case.

21 In contrast, the so-called normalization
22 method that has been employed in this case by both
23 Staff and MIEC grossly distorts the regulatory
24 principles the Commission described in the last Report
25 and Order; and in so doing, grossly understates the

1 amount of storm recovery costs the company likely will
2 experience during the period rates set in this case
3 are going to be in effect.

4 Instead of using a bona fide historical
5 average, one that seeks to smooth out both the peaks
6 and valleys of ever-fluctuating storm cost recovery,
7 the Staff and MIEC base their calculation on a base of
8 cost that understates the average amount of costs that
9 Ameren likely will -- or actually experience over the
10 47 months that were studied by more than 30 percent.
11 They do this because they conflate two rate-making
12 devices that are as different as night and day.

13 One device, normalization, is forward
14 looking and attempts to establish a normal level of
15 expense that likely will incur in the future during
16 the period rates set in this case are in effect. The
17 other device, amortization, is a backward-looking
18 rate-making tool which seeks to allow the company to
19 recover costs that were incurred in the past.

20 Now, deducting amortizations of past
21 costs from the base used to estimate future storm
22 recovery costs does not produce either an average or
23 an accurate estimate. Instead, the methodology
24 proposed by Staff and MIEC produces an artificially
25 reduced number that all but ensures that Ameren

1 Missouri will under-recover storm costs in the future.

2 That's unfair to the company because it
3 denies timely recovery of a critical part of its cost
4 of service. It's unfair to customers who rely on
5 Ameren Missouri to timely repair storm damage and
6 restore service. And as noted earlier, it's
7 inconsistent with the principles of rate-making that
8 the Commission announced most recently in the
9 company's last Report and Order.

10 I think it's important that -- to
11 emphasize how important storm cost recovery is.
12 Because without adequate provision for storm cost
13 recovery in the company's cost of service, it will be
14 very difficult for the cus-- company to respond as it
15 has in the past and to quickly repair storm cost
16 damage when it occurs. Thank you.

17 JUDGE WOODRUFF: Thank you. Opening for
18 Staff.

19 MS. MCCLOWRY: May it please the
20 Commission. Staff's position is that the Commission
21 should include in rates the normalized level of
22 non-labor storm costs in the amount of \$4.8 million.
23 This amount is based on a 47-month average for all
24 non-labor storm costs incurred between April 1st, 2007
25 and the true-up cut-off date in this case,

1 February 28th, 2011. This amount excludes the
2 extraordinary storm costs for which Ameren is
3 currently recovering amortizations.

4 Staff supports the continued recovery for
5 those extraordinary storms in rates as amortized, but
6 not additionally reflecting them in the normalized
7 storm cost level as requested by Ameren.

8 Further, Staff is opposed to Ameren
9 Missouri's proposed amortization of the true-up storm
10 costs. The true-up storm costs have already been
11 reflected in the company's proposed normalized level.
12 To permit an amortization of the difference that
13 exists between the company's proposed normalized level
14 and a single storm event that occurred during the
15 true-up period is an apples and oranges comparison and
16 would represent a double recovery.

17 An amortization is only appropriate for
18 the test year storm costs exceed the normalized level
19 of storm costs, which is how the amortization
20 established in previous cases were calculated.

21 The appropriate treatment would be to
22 include the 8.1 million of true-up storm costs and the
23 47-month average in order to develop a normalized
24 level of non-labor related storm cost expense and to
25 reflect the 4.8 million normalized level of expense in

1 rates as the Staff has proposed.

2 Staff has consistently recommended
3 granting of AAOs when severe weather hits Ameren
4 territory, but including those levels in a
5 normalization calculation simply tips the balance too
6 far from ratepayers' interest for those years in which
7 no or few storm costs occurred.

8 JUDGE WOODRUFF: Public Counsel?

9 MR. MILLS: I don't have a mini opening
10 on this issue.

11 JUDGE WOODRUFF: MIEC?

12 MR. ROAM: May it please the Commission.
13 The evidence in this case will demonstrate that the
14 amount requested by the company for storm recovery
15 costs is inflated and excessive, and the company's
16 request for an additional amortization of a million
17 dollars over five years is meritless.

18 The evidence will demonstrate that not
19 only has the company recovered every dollar of storm
20 costs it has incurred since April 1, 2007, it has
21 actually over-collected for storm recovery. Moreover,
22 the amount recovered by the company during this test
23 year and true-up period exceeds the costs it incurred
24 by more than a million dollars.

25 And if the company had received the

1 amount it sought in the last rate case, 10.4 million,
2 it would have over-collected by even a larger sum,
3 because in this test year the company incurred only
4 \$1.2 million in storm costs.

5 As such, the MIEC respectfully requests
6 that the Commission reject the company's request for
7 an additional amortization and set storm recovery
8 rates at the reasonable and prudent amount of
9 \$4.9 million. Thank you.

10 JUDGE WOODRUFF: Thank you. All right.
11 That's all the openings and Ameren can call its first
12 witness.

13 MR. MITTEN: Ameren calls Lynn Barnes.

14 (Ameren Exhibit Nos. 102-NP, 102-HC, 103
15 and 104 were marked for identification.)

16 (Witness sworn.)

17 JUDGE WOODRUFF: Thank you very much.

18 You may inquire.

19 LYNN BARNES testified as follows:

20 DIRECT EXAMINATION BY MR. MITTEN:

21 Q. Ms. Barnes, are you the witness who
22 caused to be filed in this case direct, rebuttal and
23 surrebuttal testimony?

24 A. I am.

25 Q. You have copies of that testimony in

1 front of you?

2 A. I don't have all of it. I have the
3 rebuttal testimony in front of me

4 MR. MITTEN: Your Honor, may I hand the
5 witness copies of her other testimony?

6 JUDGE WOODRUFF: Certainly.

7 THE WITNESS: Thank you.

8 BY MR. MITTEN:

9 Q. Let me first direct your attention to
10 what has been marked for identification as Exhibit
11 102-NP and 102-HC.

12 A. I have it.

13 Q. Is that your pre-filed direct testimony
14 in this case?

15 A. Yes, it is.

16 Q. Was that testimony prepared by you?

17 A. Yes, it was.

18 Q. Do you have any changes or corrections
19 that you need to make to either version of your direct
20 testimony?

21 A. Not at this time.

22 Q. Is the information contained in both
23 versions of your direct testimony true and correct to
24 the best of your knowledge and belief?

25 A. Yes, it is.

1 Q. And if I ask you the questions that are
2 contained in that testimony today, would your answers
3 be the same as reflected there?

4 A. Yes.

5 Q. Let me now direct your attention to what
6 has been marked as Exhibit 103. Is that your prepared
7 rebuttal testimony in this case?

8 A. Yes, it is.

9 Q. Was that testimony prepared by you?

10 A. Yes.

11 Q. Are there any changes or corrections that
12 you need to make to that testimony at this time?

13 A. No.

14 Q. Is the information contained in that
15 testimony true and correct to the best of your
16 knowledge and belief?

17 A. Yes.

18 Q. And if I asked you the questions that are
19 contained in your rebuttal testimony today would your
20 answers be the same as are reflected there?

21 A. Yes.

22 Q. Finally, let me direct your attention to
23 what has been marked for identification as Exhibit
24 104. Is that your prepared surrebuttal testimony in
25 this case?

1 A. Yes, it is.

2 Q. Was that testimony prepared by you?

3 A. Yes.

4 Q. Do you have any changes or corrections
5 you need to make to that testimony at this time?

6 A. No.

7 Q. Is the information contained in that
8 testimony true and correct to the best of your
9 knowledge and belief?

10 A. Yes, it is.

11 Q. And if I asked you today the questions
12 that are contained in that surrebuttal testimony,
13 would your answers be the same as are reflected there?

14 A. Yes.

15 MR. MITTEN: Your Honor, I have no
16 further questions of Ms. Barnes. I would ask for
17 admission into evidence Exhibit 102-HC, 102-NP, 103
18 and 104.

19 JUDGE WOODRUFF: All right. 102-HC and
20 NP, 103 and 104 have been offered. Any objections to
21 their receipt?

22 Hearing none, they will be received.

23 (Ameren Exhibit Nos. 102-HC, 102-NP, 103
24 and 104 were received into evidence.)

25 JUDGE WOODRUFF: And for

1 cross-examination, begin with Public Counsel.

2 MR. MILLS: No questions.

3 JUDGE WOODRUFF: Staff?

4 CROSS-EXAMINATION BY MS. MCCLOWRY:

5 Q. Good morning, Ms. Barnes.

6 A. Good morning.

7 Q. First, I want to talk about the test year
8 in this case. And -- okay. The Company and Staff
9 have used the same 47-month average period to
10 normalize costs; is that correct?

11 A. We've used the same period, that's
12 correct.

13 Q. And that would be April 1st, 2007 through
14 February 28th, 2011?

15 A. That's correct.

16 Q. Okay. And Ameren's proposed normal was
17 7.1 million?

18 A. Yes, approximately. Uh-huh.

19 Q. And Staff's normal is 4.8 million?

20 A. Yes.

21 Q. And what was the test year established by
22 the Commission as part of this rate proceeding?

23 A. April 200-- April 1st, 2009 through
24 March 31st, 2010.

25 Q. Okay. And during the test year, the

1 company incurred only 1.2 million of non-labor storm
2 costs; is that correct?

3 A. Yes.

4 Q. So using either Ameren's normal of
5 7.1 million or the Staff's normal of 4.8 million, the
6 test year amount is much smaller than those suggested
7 normalized storm costs; is that correct?

8 A. Yes, that is correct.

9 Q. Okay. Now, I want to move onto the
10 inclusion of amor-- amor-- amortizations in this case.

11 A. Okay.

12 Q. Okay. And your normalization includes
13 the storms for which Ameren is currently recovery
14 through amortizations?

15 A. Our normalized average includes all of
16 the storm costs that we've incurred over that 47-month
17 period.

18 Q. And isn't it true that the 7.1 million
19 includes the amor-- amortization for extraordinary
20 storm costs from Case No. ER-2008-0318?

21 A. No, that's not true. The normalization
22 does not include any amortized costs. What it
23 includes is the actual costs we incurred during that
24 47-month period.

25 Q. So you aren't including the \$4,857,000 in

1 that number?

2 A. No. I'm not including the amortizations.
3 What I'm including are the 4.4 million because the
4 normalization is an average of all of the costs that
5 were incurred during that period. And I am trying to
6 set a level to be recovered in the future. I am not
7 making any judgments about what's been or not been
8 recovered in the past.

9 I am just trying to set a level of
10 normalized storm costs that we will reflect for future
11 occurrences of storms in the rates that will go in
12 effect in August. And so I need to look at all of my
13 historical costs in order to make that determination.

14 Q. So that 4.8 million is included in
15 your --

16 A. Yes, it is.

17 Q. Okay. And the 3.9 million that was
18 included from ER-2010-0036 is also included?

19 A. Because we incurred those costs
20 historically, yes.

21 Q. Okay. And would you call those storm
22 costs extraordinary?

23 A. All of the storm costs that we reflect
24 for this purpose are extraordinary. We do not -- we
25 do not plan for storms from the standpoint of -- of

1 expectations.

2 Q. Okay. So does including those
3 extraordinary costs in the normalized level of
4 expense, does that make them ordinary?

5 A. Well, I -- I would step back and tell you
6 that all of the storm costs that we're including for
7 all of the normalizations are not ordinary. They're
8 all extraordinary. The amount we're building into
9 base rates is a normalized amount based on the
10 historical period and a look back at what we have
11 typically incurred to say that's what we would expect
12 to incur if all the weather conditions and all the
13 other situations that reflect and require us to do
14 storm restoration would occur.

15 Q. Okay. I want to move on to possible
16 over-recovery that the company might experience.
17 Staff has not recommended ending either of those two
18 amortizations that are currently in rates, have they?

19 A. I'm not sure I understand what Staff's
20 doing from that perspective, because they're really
21 mixing two concepts. Whether or not I'm recovering
22 historical costs through amortizations really has no
23 bearing on what level of storm costs I should set in
24 rates that are going to go in effect in the future.

25 Q. But Staff hasn't put an end to -- hasn't

1 recommended ending the company collecting those
2 through --

3 A. No.

4 Q. -- their end date?

5 A. That's correct.

6 Q. Okay. And is it possible that the
7 company could continue recovering those costs beyond
8 their expiration date because of the nature of rate
9 case and -- rate cases and how they are seldom timed
10 perfectly with the expiration date of the
11 amortization?

12 A. I think that's part of the regulatory
13 framework. Any costs can be over- or under-recovered
14 based on any timeframe. They're not any different.

15 Q. Okay. So we call that regulatory lag; is
16 that correct?

17 A. Yes. That's correct.

18 Q. Okay. And I believe we talked about
19 above. The test year storm cost was 1.2 million in
20 the test year?

21 A. Yes.

22 Q. Okay. And during the test year the
23 company collected nearly \$5.2 million in rates; is
24 that correct?

25 A. That's what was in the current rate

1 structure if you do the math, uh-huh.

2 Q. Okay. And have there been 12-month
3 periods where non-labor storm costs were lower than
4 the level included in rates?

5 A. I don't have all that information. I
6 guess over the history of the company, there probably
7 have been.

8 Q. Okay. And during the calendar year 2010,
9 Ameren Missouri reported only \$38 of non-labor storm
10 costs; isn't that correct?

11 A. \$38 or \$38,000 perhaps?

12 Q. Perhaps.

13 A. I don't know if that was a rounded
14 number, I suspect.

15 Q. Okay. Is that a very much lower amount
16 of storm costs in 2010?

17 A. Yes. That was a very unusual year from a
18 weather perspective.

19 Q. Okay. And from the beginning of the test
20 year in the case, which is March 2009, until the end
21 of 2010, the company did not spend nearly as much in
22 storm restoration as was included in rates at the
23 time. That's correct?

24 A. That's correct.

25 Q. Okay. And next I want to move onto other

1 options the company has for recovering storm costs.
2 Has Staff ever opposed any Ameren Missouri request
3 seeking recovery for any amount of storm costs through
4 an AAO?

5 A. I believe we've only requested it once
6 and it was for an extremely extraordinary cost of
7 \$25 million, which is totally out of the realm of what
8 we're discussing today.

9 Q. Yeah, but Staff didn't oppose that
10 amount?

11 A. I don't believe they did, no.

12 Q. Okay. And what is the company's practice
13 when deciding whether to request an AAO?

14 A. I don't know that we have a set practice.
15 I mean I think our goal is to utilize the regulatory
16 framework to recover our cost. And that's one
17 mechanism that's available to us to use if we deem it
18 necessary.

19 Q. Okay. If you're going to make an AAO, do
20 you make any recommendations regarding whether you do
21 request it?

22 A. Do I personally?

23 Q. Yeah.

24 A. I'm involved in the decision making. I
25 don't make the decision by myself.

1 Q. Okay. And when you're -- when you're
2 making that decision, do you look at the expense level
3 included in current rates?

4 A. Sure.

5 Q. Okay. Who are the people involved when
6 deciding to seek an AAO?

7 A. Well, certainly our CEO would have the
8 ultimate decision. I would be involved in that
9 decision. I'm sure our regulatory folks and our
10 attorneys would also be involved in that discussion
11 and decision. Our -- there would be several, multiple
12 people that would be involved in that.

13 Q. Okay. And if the company gets a higher
14 level of expense in their rates, would the company
15 change their practice regarding an AAO request?

16 A. I'm not sure one has anything to do with
17 the other.

18 Q. Okay. What happens if the company gets
19 an increased level of expense in their rates and there
20 are no major storms?

21 A. The same thing that happens in the
22 reverse when the amount we need to spend for other
23 things is less than -- or is more than what we get
24 included in rates. I mean it's part of the regulatory
25 framework.

1 Q. Would the company contemplate seeking an
2 accounting authorization to flow those dollars back to
3 ratepayers?

4 A. I believe that would be a tracker if we
5 were looking for that kind of regulatory treatment.
6 And I believe we requested one of those in the last
7 rate case and were vehemently denied that opportunity.

8 So, you know, if we're going to give the
9 money back when -- when we over-recover, then we
10 should have equal opportunity to seek for
11 under-recovery getting those costs recovered from
12 customers. And generally that hasn't been a balanced
13 scale.

14 Q. So that's a no?

15 A. I guess that's a no.

16 MS. MCCLOWRY: No further questions.

17 JUDGE WOODRUFF: All right. For MIEC?

18 CROSS-EXAMINATION BY MR. ROAM:

19 Q. Good morning, Ms. Barnes.

20 A. Good morning.

21 Q. I'm going to attempt to do a little bit
22 of calculation here and I may need your help. But
23 preliminarily -- and I think you testified to this
24 fact -- that the analysis you used to establish your
25 proposed normalized storm costs include information

1 from the past 47 months. Correct?

2 A. Yes.

3 Q. So your analysis considers expenses from
4 as early as April 2007. Correct?

5 A. Yes.

6 Q. You are aware that this -- the Commission
7 implemented new vegetation management rules that went
8 into effect in July of 2008. Correct?

9 A. Yes.

10 Q. And you are aware that Ameren Missouri
11 voluntarily implemented procedures to comply with
12 those rules as early as January 2008; is that correct?

13 A. Yes. I'm not sure what that has to do
14 with storm costs. I'm not testifying about vegetation
15 management this morning.

16 MR. ROAM: I'd move to strike the
17 narrative. That wasn't in response to a question.

18 JUDGE WOODRUFF: It is stricken. Just
19 answer his questions.

20 THE WITNESS: Okay.

21 JUDGE WOODRUFF: He'll tell you where
22 he's going.

23 THE WITNESS: Okay.

24 BY MR. ROAM:

25 Q. And you are aware that part of those

1 rules required Ameren Missouri to trim foliage further
2 away from Ameren's power lines. Correct?

3 A. Yes.

4 Q. Do you agree with me that Ameren
5 Missouri's overall non-fuel operations and maintenance
6 costs have decreased since the last rate case; is that
7 correct?

8 A. Yes, I believe they have.

9 Q. And storm costs are included within
10 Ameren Missouri's overall operations and maintenance
11 costs; is that correct?

12 A. Yes.

13 Q. You may have just testified to this, but
14 the normalized annual level of storm restoration costs
15 resulting from Case No. ER-2008-0318 was 5.2 million;
16 is that correct?

17 A. I believe so.

18 Q. Okay. I'll move this up just a little
19 bit. So ER-2008-0318, the annual normalized level was
20 5.2 million. And if you divide 5.2 million by 12,
21 would you agree with me that you get \$433,333?

22 A. I can't do that math in my head, but
23 sounds directionally correct.

24 Q. Okay. So this -- this would represent
25 the monthly --

1 A. Uh-huh.

2 Q. -- normalized level?

3 A. Uh-huh.

4 Q. All right. And do you recall what the --

5 the amount that was set for storm recovery costs in

6 ER-2010-0036, do you recall what that amount was?

7 A. No. Not off the top of my head.

8 Q. Do you have any reason to dispute that it

9 was \$6.4 million?

10 A. No. Sounds correct.

11 Q. Okay.

12 A. Close.

13 Q. And so the monthly amount would be about

14 533,333; is that right?

15 A. I'm not sure that math works exactly

16 right just looking at those two numbers, but --

17 Q. I'll give you this --

18 A. That would be great. Thank you.

19 Q. -- calculator. Would you mind to run

20 those numbers and make sure those are accurate?

21 A. Yes, they are.

22 Q. And the current test year began I believe

23 you testified in April 1st, '09; is that correct?

24 A. Yes. Uh-huh.

25 Q. So the rates from this case -- or the

1 amount that was set in this case were in effect at
2 this time; is that correct?

3 A. Yes.

4 Q. Okay. So this amount here, this monthly
5 amount, was in effect at the beginning of this test
6 year.

7 The -- the rates from this case began
8 July 1st, 2010; is that correct?

9 A. I think it was June 21st, 2010, but yes.

10 Q. Right. Okay. Around July 1st, 2010?

11 A. Uh-huh.

12 JUDGE WOODRUFF: Mr. Roam, if I could
13 interrupt.

14 MR. ROAM: Sure.

15 JUDGE WOODRUFF: If you could turn the
16 microphone over toward you, that would be great.

17 That's good. Thank you.

18 THE WITNESS: And actually to go back --
19 no, that's correct. Never mind.

20 BY MR. ROAM:

21 Q. Okay. So these rates then would have
22 been in effect from this time until about this time
23 (indicating); is that right?

24 A. Yes. That's correct. Uh-huh.

25 Q. So we'll just say these rates were in

1 effect -- the rates from 2008-0318 were in effect
2 until around -- around June 30, 2010. Correct?

3 A. Yes.

4 Q. And that's approximately 15 months; is
5 that right?

6 A. Yes.

7 Q. Okay. Fifteen months times 433,333 is
8 what?

9 A. It rounds to about 6.5 million.

10 Q. Okay. So that's the amount that was
11 recovered in storm rec-- in rates during that period
12 for storm recovery. Correct?

13 A. Yes.

14 Q. And the end of the true-up period in this
15 case is February 28th, 2011; is that correct?

16 A. Yes.

17 Q. 28/11. So this amount has been in effect
18 throughout that period (indicating); is that right?

19 A. Uh-huh.

20 Q. And that's a period of eight months.
21 Correct? Is that right? July, August, September,
22 October, November, December, January, February.

23 A. Yes.

24 Q. If you multiply 533,333 times 8 months,
25 you get approximately \$4.2 million. Correct?

1 A. Yes.

2 Q. Okay. So the amount recovered by the
3 company from April 1st, 2009 until February 28, 2011
4 is approximately \$10.7 million. Correct?

5 A. Uh-huh.

6 Q. Okay. During this test year, and I think
7 you testified to this, but the amount incurred -- the
8 costs incurred by the company for storms was
9 1.2 million; is that right?

10 A. In that ballpark, 1.2, 1.3. I don't
11 recall the exact amount, but -- uh-huh.

12 Q. So 1.2 million incurred in storms from
13 4/1/09 through 3/31/10. And then from 4/1/10 until
14 the end of the true-up period, the company incurred
15 about \$8.1 million in storm costs; is that right?

16 A. That's correct.

17 Q. And that was preparation for a storm?

18 A. Yes. That's correct.

19 Q. Okay. So that was 8.1 million.

20 A. Uh-huh.

21 Q. So the total amount of costs incurred by
22 the company for storms from April 1st, 2009 to
23 February 28, 2011 was about \$9.3 million; is that
24 right?

25 A. Uh-huh.

1 Q. Okay. So for this period from April '09
2 to 2/28, the company over-collected about
3 \$1.4 million; is that correct?

4 A. Based on your math, that is correct.

5 Q. Well, is your math any different than
6 mine?

7 A. No. But I would suggest to you that we
8 really ought to extend that out through when these
9 rates will go into effect in August, rather than
10 stopping at the true-up.

11 Q. I appreciate that, but that's not --
12 that's not the question I asked. Okay? So company
13 over-collected \$1.4 million?

14 A. Uh-huh.

15 Q. Ms. Barnes, isn't it correct that the
16 company in the last rate case asked for storm recovery
17 costs of approximately \$10.4 million?

18 A. That sounds correct. I believe it was
19 based on the average, the normalization.

20 Q. So they asked for -- the company asked
21 for \$10.4 million?

22 A. Uh-huh.

23 Q. So if it received \$10.4 million, it would
24 have recovered \$10.4 million during this test year; is
25 that right?

1 A. It would have received eight months of
2 that 10.4 million for this test year --

3 Q. Okay.

4 A. -- following your dates.

5 Q. Okay. But for this test year, it would
6 have received -- it would have received the 10-- 10.9.
7 That would have been the rate; is that right?

8 A. That rate would have gone into effect
9 July 1st.

10 Q. Okay.

11 A. So that would not have been in effect for
12 the test year. It would have been in effect for the
13 4/1/10 through 2/28/11 period based on your
14 calculations up there.

15 Q. Okay. But I'm asking about the -- the
16 rate case. So in this rate case (indicating) --

17 A. Yes.

18 Q. -- company asked for -- oh, I see. So --
19 okay. So the company asked for \$10.4 million in this
20 rate case?

21 A. And received 6.4, that's correct.

22 Q. Right. And that would have gone into
23 effect right there (indicating). Right?

24 A. That's right. So for those eight months,
25 that would have been a higher number, that's correct.

1 Q. Right.

2 A. Uh-huh.

3 Q. And during the test year --

4 A. Test year.

5 Q. During this test year, the company

6 incurred \$1.2 million in --

7 A. Uh-huh.

8 Q. -- costs? Okay.

9 A. That's correct.

10 MR. ROAM: No further questions. Thank

11 you.

12 JUDGE WOODRUFF: And if you would move

13 your --

14 MR. ROAM: Sure.

15 JUDGE WOODRUFF: We're all relying on the

16 technology here.

17 All right. We'll come up then for

18 questions from the Bench. Any questions?

19 COMMISSIONER KENNEY: No, I don't.

20 Thanks.

21 JUDGE WOODRUFF: All right. No questions

22 from the Bench. Well, actually I do have one question

23 from the Bench.

24 QUESTIONS BY JUDGE WOODRUFF:

25 Q. I'm just curious. You mentioned a

1 \$25 million storm cost AAO. When was that?

2 A. That was the storm from January of 2007
3 and we requested an AAO in the 2008 electric case.

4 Q. Was that the storm that knocked out
5 Noranda or was that an earlier one?

6 A. No. That was an earlier one. That was
7 in Cape Girardeau -- or -- yeah, southeast, so Cape
8 Girardeau, uh-huh.

9 Q. Okay.

10 CHAIR GUNN: I actually do have a
11 question.

12 JUDGE WOODRUFF: All right.

13 QUESTIONS BY CHAIR GUNN:

14 Q. So from 2005 until the recent tornados,
15 so until last week --

16 A. Uh-huh.

17 Q. -- how many events -- storm events
18 occurred that you would classify as kind of unusual
19 storm events?

20 A. From 2005?

21 Q. Yeah. And I'm -- and I guess let me --
22 the July storm was --

23 A. Uh-huh.

24 Q. Was that 200--

25 A. '6.

1 Q. '6. So I'll revise that.

2 A. And that clearly that was. Okay.

3 Q. So from July of 2006 --

4 A. Uh-huh.

5 Q. -- until -- until last week --

6 A. Uh-huh.

7 Q. -- until Good Friday last week, how many
8 unusual storm events do you think have occurred?

9 A. I think above normal type storms, the
10 July 2006 clearly was. There was one later that year,
11 the end of November 2006, we had a major ice storm and
12 then we had another one in January of 2007.

13 Q. Right.

14 A. So those three I think clearly were above
15 and beyond what we would consider a normal storm
16 history. I don't know that there's been any that
17 we've incurred costs that were above average.

18 Q. Now, it wasn't an unusual storm event,
19 but you prepared for an unusual storm event earlier
20 this year. Correct?

21 A. We prepared for a storm based on the
22 weather predictions, that's correct.

23 Q. Now, are there -- are there -- well, for
24 unusual storm events, snow isn't as big a deal as ice.
25 Correct?

1 A. Yeah. The -- those questions are
2 probably better for Mr. Wakeman to answer since he's
3 the ops guy. He has to deal with it directly. But,
4 yeah, my understanding is ice is way worse than snow.

5 Q. Well, let's take it from a financial
6 perspective.

7 A. Uh-huh.

8 Q. You don't ramp up costs for -- which --
9 with all the outlays --

10 A. Uh-huh.

11 Q. -- for a large predicted snowfall as you
12 do for -- as you do for a -- anywhere from a half inch
13 or an inch of ice?

14 A. Generally not. I guess it depends on the
15 level of snowfall. Obviously if there's excessive
16 snow on the line -- on the trees, that make it more of
17 a deal than if it's two inches or something.

18 Q. And if it's a combination obviously --

19 A. Obviously.

20 Q. -- it's a big deal?

21 A. Uh-huh.

22 Q. So do you consider the Good Friday
23 tornadoes to be -- because even though -- in terms --
24 in terms of numbers --

25 A. Uh-huh.

1 Q. -- it wasn't as high as some of these
2 other ones. Is that -- do you know how -- how you
3 would classify --

4 A. It would fall in the same type of
5 category as what we were expecting in February. We
6 incurred a storm at the end of February that I think
7 falls into that category.

8 You know, we -- we generally look at the
9 events based on how many customers are out at a given
10 time, how long they're out and how much of an expense
11 that we -- or cost in general -- it's not always just
12 expense, that we expect to incur. And a lot of times
13 we're looking backwards and saying, if I look at all
14 of these events, which ones sort of stick out.

15 Q. And I know these might be outside of the
16 test year numbers, but part of this is curiosity.
17 But -- so the New Year's Eve storms --

18 A. Right.

19 Q. -- how -- in terms of numbers and
20 costs --

21 A. Uh-huh.

22 Q. -- how did that -- and I know you
23 probably haven't finished comparing the Good Friday
24 storms.

25 A. Right. Still estimating those, that's

1 correct.

2 Q. Do you have any idea how comparable those
3 would be?

4 A. Based on my initial estimates of the
5 current storm that we're facing, I would say these
6 will be in excess of what we incurred at the end of
7 December. A larger area was affected, more customers
8 were out for a longer period of time than what we saw
9 at the end of December.

10 Q. Okay. Do you know if there were severe
11 damaged poles or --

12 A. I don't recall the difference.
13 Mr. Wakeman might when he's up on the stand.

14 Q. When Ameren assists other -- through
15 mutual aid --

16 A. Yes.

17 Q. -- co-ops and other places, are you
18 reimbursed to -- 100 percent of your costs?

19 A. Yes.

20 Q. Are there any -- are there any costs that
21 you don't charge back to those -- to those folks that
22 you would -- that would be included in the numbers
23 that we're talking about?

24 A. No. When we provide mutual assistance,
25 we include labor, overheads, you know, use of

1 equipment, all of those costs.

2 Q. Every dollar that's spent --

3 A. Every dollar that's spent.

4 Q. -- gets -- gets --

5 A. Uh-huh.

6 Q. -- put back?

7 A. Uh-huh.

8 Q. Okay. I appreciate my -- your
9 indulgence. I apologize for not being here earlier.
10 Thank you.

11 JUDGE WOODRUFF: Anyone wish to recross
12 based on those questions from the Bench?

13 MR. ROAM: One moment, Judge.

14 RECROSS-EXAMINATION BY MR. ROAM:

15 Q. Ms. Barnes, just for clarification, the
16 storm on New Year's of this year, has that been
17 classified as a major storm at this point?

18 A. No. It's not included in the numbers for
19 the true-up.

20 MR. ROAM: Okay. Thank you.

21 JUDGE WOODRUFF: All right. Redirect?

22 REDIRECT EXAMINATION BY MR. MITTEN:

23 Q. Ms. Barnes, during his questioning,
24 Mr. Roam asked you a number of questions that
25 suggested that Ameren has over-recovered storm costs

1 since the 2008 rate case; is that correct?

2 A. Yes.

3 Q. Do you recall those questions?

4 A. Uh-huh.

5 Q. And in response to one of his questions,
6 you suggested that maybe in looking at whether or not
7 the company had over-recovered, it would be
8 inappropriate to stop at the end of the test year or
9 the recovery -- or the true-up period in this case.
10 Do you recall that?

11 A. Yes.

12 Q. Why do you believe that?

13 A. Well, I think, you know, you can pick any
14 point in time that makes a point one way or the other.
15 The reality of the situation is the rates we're under
16 currently will be in effect until the end of July.
17 And so we really can't stop and say, Well, we've
18 over-recovered as of this period, unless we're going
19 to assume that there will be no additional storm
20 events between February 28th and July 31st.

21 And obviously there's been one and I
22 don't know if there will be more. We've had a pretty
23 active weather season already. It's hard for me to be
24 able to tell whether or not additional storms will
25 occur between now and end of July. And as a result,

1 based on what we collect between now and the end of
2 July currently in rates may very well exceed -- or --
3 or not be enough to recover all of the costs that we
4 will incur between now and then for storms.

5 Q. What's the significance of the end of
6 July in the answer you just gave?

7 A. Well, that's when the rates for the
8 current case that we're litigating will go into
9 effect.

10 Q. And I think Mr. Roam pointed out that in
11 Ameren's last rate case, the Commission allowed
12 approximately \$6.4 million in storm recovery costs; is
13 that correct?

14 A. Yes.

15 Q. How much has Ameren actually incurred in
16 storm recovery costs during calendar year 2011?

17 A. Well, without including the storm that we
18 just had because I don't have reasonable estimates for
19 that yet, we had incurred through the end of March
20 approximately \$11 million of storm costs.

21 Q. And that doesn't include the additional
22 costs that you incurred to deal with the Good Friday
23 storm; is that correct?

24 A. That's correct.

25 Q. So have you over-recovered storm costs in

1 2011?

2 A. I don't believe so.

3 Q. Now, during questioning by Staff's
4 counsel, she mentioned that Staff had excluded from
5 the average it used to normalize costs for purposes of
6 this case the amounts that the company was amortizing
7 for past storms; is that correct?

8 A. Yes. That's correct.

9 Q. Do you believe that's an appropriate way
10 to calculate a normalization average?

11 A. No. My experience in calculating
12 normalizations is that you don't pick and choose the
13 data that you're going to normalize. You look at the
14 data that's available and prepare an average and the
15 number is what it is.

16 Q. Why do you believe it's inappropriate to
17 take out amounts that the company is collecting
18 through amortization for past storms?

19 A. Because what we are able to recover from
20 a historical cost perspective really isn't relevant to
21 what we expect to incur in the future for storm costs.
22 And that's really what the point of the normalization
23 is, is to create an estimate of what we would expect
24 to incur in the future.

25 Q. Now, Mr. Roam mentioned that in Ameren's

1 last rate case the company had requested a normalized
2 level of storm recovery costs of 10.4 million; is that
3 correct?

4 A. Yes.

5 Q. Did the company request anything else in
6 that case with regard to the recovery of storm costs?

7 A. Well, recognizing that the Commission has
8 always been very generous to allow us to recover all
9 of our storm costs, but also recognizing that there
10 will be periods of time where we may have a higher
11 amount in rates than we've incurred in a given period,
12 we proposed a tracker because storm costs are
13 unpredictable, can be volatile and we've just seen in
14 the last 24-month period. And thought that to be a
15 reasonable mechanism to be able to respond to issues
16 where we're either over-collecting or under-recovering
17 our costs related to storms.

18 Q. And how would that tracker that was
19 proposed in Case No. ER-2010-0036 have worked?

20 A. Well, essentially we would have set a
21 base amount of storm costs in rates -- in base rates.
22 And then at a point in time as we litigate an add-- a
23 new case, we would compare what we've actually
24 recovered versus what we've actually incurred. And if
25 there were more dollars recovered, then we would

1 refund those back to customers in the -- or usually
2 over an amortized period in the new rates or we
3 would -- if it was the other way around, if we had
4 under-recovered, then we would include an additional
5 amount of expense in our base rates, again, amortized
6 over some period of time.

7 Q. If the Commission is concerned about
8 over-or under-recovery of storm costs, would Ameren be
9 opposed to implementation of a tracker in this case?

10 A. Not at all.

11 Q. And again, getting back to some questions
12 from Mr. Roam suggesting that the company may have
13 over-recovered storm costs, if the tracker that you
14 proposed in the last rate case had been approved,
15 would there be any issue about over- or under-recovery
16 of storm costs?

17 A. No.

18 MR. MITTEN: I don't have any further
19 questions. Thank you.

20 JUDGE WOODRUFF: All right. Ms. Barnes,
21 you can step down.

22 I assume Mr. Wakeman's going to testify
23 for Ameren?

24 MR. MITTEN: Yes.

25 JUDGE WOODRUFF: And Mr. Cassidy for

1 Staff. And Mr. Rackers as well?

2 MS. MCCLOWRY: No.

3 JUDGE WOODRUFF: And then Mr. Meyer?

4 Let's go ahead and break for lunch now
5 and let's come back at 1:30.

6 (A recess was taken.)

7 JUDGE WOODRUFF: All right. Let's come
8 to order. And we're back from lunch. And I believe
9 we have one more witness for Ameren on this issue?

10 MR. MITTEN: That's correct, your Honor.
11 We would recall Mr. Wakeman.

12 JUDGE WOODRUFF: Okay.

13 MR. MITTEN: Your Honor, while
14 Mr. Wakeman is taking the stand, Mr. Wakeman is the
15 Ameren executive who has had frontline responsibility
16 for the restoration of service following the Good
17 Friday storm and he is prepared today to brief the
18 Commission on the status of those restoration efforts
19 if the Commission is interested in hearing that
20 testimony. He can either do it now or he can come
21 back once this issue is completed and do it later this
22 afternoon.

23 JUDGE WOODRUFF: I'll send an e-mail
24 around to the Commissioners to see if anybody wants to
25 come down for that.

1 MR. ROAM: Judge, we would object to that
2 being a part of this case. There's been no evidence
3 submitted on that issue and -- so we would -- we would
4 object to that being submitted as evidence in this
5 case.

6 JUDGE WOODRUFF: If -- if the
7 Commissioners want such -- well, of course, then it
8 will have to be set up as a -- as a public meeting as
9 well with notice being given and 24 hours notice. So
10 I think we'll just have to decline the request.

11 MR. MITTEN: Wanted to make the offer
12 anyway.

13 JUDGE WOODRUFF: All right. Thank you.

14 MR. MITTEN: I don't have any further
15 questions for Mr. Wakeman on direct and I would offer
16 him for cross-examination.

17 JUDGE WOODRUFF: Okay. And you are still
18 under oath from earlier today.

19 THE WITNESS: Yes. Thank you.

20 JUDGE WOODRUFF: All right. For
21 cross-examination then, we begin with MIEC. Are you
22 going to go last again if you'd like?

23 MR. ROAM: No questions.

24 JUDGE WOODRUFF: Okay. Public Counsel?

25 MR. MILLS: I also have no questions.

1 JUDGE WOODRUFF: Staff?

2 MS. MCCLOWRY: No questions.

3 JUDGE WOODRUFF: Well, this is going to
4 be quick because I have no questions. So there's no
5 need for recross or redirect. And Mr. Wakeman, you
6 can step down. And we'll move to Staff's witness.

7 MS. MCCLOWRY: Staff calls John Cassidy.

8 (Witness sworn.)

9 JUDGE WOODRUFF: Thank you. You may
10 inquire.

11 JOHN CASSIDY testified as follows:

12 DIRECT EXAMINATION BY MS. MCCLOWRY:

13 Q. Would you please state your name for the
14 record.

15 A. John P. Cassidy.

16 Q. And by whom are you employed and in what
17 capacity?

18 A. I am a regulatory auditor five with the
19 Missouri Public Service Commission.

20 Q. Did you prepare and cause to be filed the
21 test year storm costs and storm costs amortization
22 expense portions of the Staff's report concerning
23 revenue requirement and cost of service?

24 A. I did.

25 Q. Did you prepare and cause to be filed

1 surrebuttal testimony in this matter?

2 A. Yes.

3 Q. Do you have any corrections to your
4 portion of the report or to your surrebuttal
5 testimony?

6 A. I do have one correction to my
7 surrebuttal testimony. On page 10 of my surrebuttal,
8 line 4 where it says "the Staff is opposed to
9 proposal," I'd like to insert the word "this" between
10 "to" and "proposal." And that's the only correction
11 that I have.

12 Q. Mr. Cassidy, with those changes is the
13 testimony that you have filed in this matter true and
14 accurate to the best of your knowledge and belief?

15 A. It is, yes.

16 Q. If you were asked the same questions
17 today as were contained in your testimony in this
18 case, would your answers be the same?

19 A. Yes, they would.

20 MS. MCCLOWRY: At this time I would move
21 for the admission of Mr. Cassidy's portion of the
22 Staff's report concerning revenue requirement and cost
23 of service marked as Exhibit 201 as well as
24 Exhibit 207 representing his surrebuttal testimony and
25 I'd tender the witness for cross.

1 Approximately \$11 million?

2 A. Yes, I believe that's what she said.

3 Q. Mr. Cassidy, does that \$11 million that
4 she referred to correspond with costs incurred by
5 Ameren for major storm costs for 2011?

6 A. No, it does not.

7 Q. And how much was incurred in major storm
8 costs in calendar year 2011 by Ameren?

9 A. I believe that was 8.1 million.

10 Q. So there's a difference of about
11 3 million or 2.9 million between the 11 million that
12 she referenced and the 8.1 million?

13 A. Yes.

14 Q. What accounts for that 3 -- approximately
15 \$3 million, do you know?

16 A. I would surmise that it would be minor
17 storm costs or possibly capital additions.

18 Q. Okay. And if it were minor storm costs,
19 wouldn't that already be included in all parties' cost
20 of service?

21 A. Yes, it would.

22 Q. And that's not an issue in this case; is
23 that right?

24 A. No, it is not.

25 Q. And if it were for capital costs prior to

1 February 28th, 2011, wouldn't those costs be included
2 in rate-base?

3 A. Yes. Those capital costs would be
4 included in rate-base as part of this case as part of
5 our true-up through February 28th.

6 MR. ROAM: Thank you. No further
7 questions.

8 JUDGE WOODRUFF: All right. For Public
9 Counsel?

10 MR. MILLS: No questions.

11 JUDGE WOODRUFF: For Ameren?

12 MR. MITTEN: Your Honor, before I begin
13 my cross-examination, I'd like to have a document
14 marked as the Ameren Missouri exhibit next in order.

15 JUDGE WOODRUFF: Okay. Your next number
16 is 151.

17 MR. THOMPSON: 151, Russ?

18 MR. MITTEN: Yes.

19 (Ameren Exhibit No. 151 was marked for
20 identification.)

21 CROSS-EXAMINATION BY MR. MITTEN:

22 Q. Good afternoon, Mr. Cassidy.

23 A. Good afternoon.

24 Q. I have handed you a document which has
25 been marked for identification as Ameren Exhibit 151.

1 Have you had a chance to review that document?

2 A. Yes, I'm familiar with this document.

3 Q. Is that a copy of the work paper that you
4 submitted along with your surrebuttal testimony in
5 this case?

6 A. Yes, it is.

7 MR. MITTEN: Your Honor, I would move for
8 the admission into evidence of Ameren Exhibit 151.

9 JUDGE WOODRUFF: 151 has been offered.
10 Any objections to its receipt?

11 Hearing none, it will be received.

12 (Ameren Exhibit No. 151 was received into
13 evidence.)

14 BY MR. MITTEN:

15 Q. Now, the work paper that I've handed you
16 shows the actual incurred storm recovery costs for
17 each of the 47 months that was used by both the
18 Company, Staff and the MIEC to calculate the
19 adjustments that are being proposed in this case; is
20 that correct?

21 A. It reflects the 47 months of costs that
22 have been incurred by the company during that
23 timeframe, yes.

24 Q. And it also shows the 8 million --
25 roughly \$8 million in costs that were incurred in

1 January and February of this year; is that correct?

2 A. Yes.

3 Q. Now, for the period running from April
4 through December of 2007, it shows total incurred
5 storm costs of approximately \$5.8 million; is that
6 correct?

7 A. Yes.

8 Q. And for the 12 months ended December
9 2008, it shows actual incurred storm costs of
10 approximately 4.8 million; is that correct?

11 A. Yes.

12 Q. And for the 12-month period ended
13 December 2009, it shows actual incurred storm costs of
14 over \$9 million; is that correct?

15 A. That's correct.

16 Q. And for the period -- 12-month period
17 ending December 2010, it shows actual storm costs of
18 \$38,000?

19 A. Yes.

20 Q. And then for the two months, January and
21 February of 2011, it shows incurred storm costs of
22 more than \$8 million; is that correct?

23 A. Yes.

24 Q. Would you agree with me that based upon
25 what's shown in this exhibit, that Ameren Missouri's

1 storm costs fluctuate significantly from year to year?

2 A. Yes. It appears their costs do
3 fluctuate. That's the purpose in taking an extended
4 average.

5 Q. And -- and you've anticipated my next
6 question. When you've got an expense item that
7 fluctuates significantly from year to year, it's
8 regulatory practice to try and normalize that expense
9 going forward; is that correct?

10 A. Yes.

11 Q. And one of the methods that is
12 traditionally used to normalize expenses would be to
13 use a historical average; is that correct?

14 A. Yes, that's correct.

15 Q. And -- and that's the normalization
16 methodology that Ameren Missouri has proposed in this
17 case; is that correct?

18 A. Yes.

19 Q. Now, if we look down in the lower quarter
20 of the exhibit, there's a line that says Total
21 Non-Labor Storm Costs, July 1st, 2005 through
22 December 31st, 2010. And that number is \$27,795,025;
23 is that correct?

24 A. Yes.

25 Q. And that would not include the \$8,133,000

1 and change that is for the period January and February
2 of 2011?

3 A. It would include those, the 8,133,000.

4 Q. So what that line should really say is
5 Total Non-labor Storm Costs July 1st, 200-- and should
6 it say 2005 or 2007?

7 A. It should say -- it should say April 1,
8 2007 through February 2011 --

9 Q. Since this --

10 A. February 28th, 2011.

11 Q. Excuse me. Since this is your work
12 paper, what should that line correctly read?

13 A. Total Non-labor Storm Costs April 1, 2007
14 through February 28th, 2011.

15 Q. And that total is again \$27,795,025; is
16 that correct?

17 A. Yes.

18 Q. And -- and that's the total that Ameren
19 used to calculate its normalization adjustment in this
20 case; is that correct?

21 A. Yes, it is.

22 Q. Now, moving down the page there's a
23 subtotal number \$18,960,350. Do you see that?

24 A. Yes.

25 Q. And that's the total that Staff used to

1 calculate its normalization adjustment?

2 A. Yes, it is.

3 Q. And would you agree with me that that's
4 approximately 30 percent less than the actual incurred
5 storm costs over the 47-month period that is reflected
6 in Exhibit 151?

7 A. Well, I can do the calculation for you
8 and see. It's approximately 30 percent.

9 Q. Now, the reason that there's a difference
10 between the number that Ameren used for its
11 normalization adjustment and the number that Staff
12 used for its normalization adjustment is that Staff
13 removed approximately \$8.8 million from the actual
14 incurred cost total; is that correct?

15 A. Yes.

16 Q. And those numbers are reflected on the
17 line indicating Less: 2008 Storm Amortization
18 Recovery and ER-2008-0318 and 2009 Amortization
19 Recovery in 2010-0036; is that correct?

20 A. Yes, that's correct.

21 Q. Now, would you agree with me that each of
22 those amortizations was designed to allow Ameren to
23 recover storm costs that it had incurred in the past?

24 A. Yes. And I can expound on that, if you'd
25 like.

1 Q. Well, I don't need you to expound on it
2 right now. I just want to find out if my assumption
3 was correct.

4 A. That is correct.

5 Q. And those are discrete costs that the
6 Commission has said that the company -- in past cases
7 that the company is entitled to recover; is that
8 correct?

9 A. Yes.

10 Q. Now, the total amount of storm recovery
11 costs that Staff is proposing to include in the cost
12 of service for rate-making purposes in this case is
13 roughly \$4.8 million; is that correct?

14 A. For a normalized level going forward,
15 yes.

16 Q. Okay. And would you agree with me that
17 that's significantly less than the amount of actual
18 incurred costs for the period April through December
19 2007?

20 A. It is less than that amount.

21 Q. It's significantly less than the amount
22 of actual incurred costs for the 12-month period
23 January through December 2009. Correct?

24 A. Yes.

25 Q. And it's approximately equal to the

1 amount of incurred costs for the 12-month period
2 January through December 2008. Correct?

3 A. Yes.

4 Q. It's also significantly less than the
5 amount of actual incurred costs for January and
6 February 2011; is that correct?

7 A. Yes. That's correct.

8 Q. And you testified in response to
9 questions earlier about Ms. Barnes' testimony about
10 incurred storm costs for 2011 being approximately
11 \$11 million.

12 A. Well, she mentioned that there was
13 11 million of storm costs that were incurred.

14 Q. And I think you indicated that the proper
15 figure to focus on for purposes of this issue was
16 really the \$8.1 million figure that's reflected on
17 your work paper?

18 A. Yes.

19 Q. And did you hear Ms. Barnes testify
20 earlier that even the \$11 million figure that she gave
21 did not include any of the costs associated with the
22 Good Friday storm?

23 A. I believe that's correct.

24 Q. So 2011 storm costs are going to be
25 greater than the 8.1 million that's shown on your

1 exhibit; is that correct?

2 A. I assume that they will be, yes.

3 Q. Now, given the fact that we already know
4 that storm costs in 2011 are roughly twice what Staff
5 is proposing for a normalized level in this case, does
6 that give you any concern that maybe Staff's
7 normalized estimate of storm costs that will occur in
8 the future is too low?

9 A. No.

10 Q. And why is that?

11 A. Because the 8 million -- 8.1 million of
12 storm costs -- storm preparation costs that were
13 incurred during January, February 2011 are included or
14 embedded in our normalized level.

15 Q. But again, the actual incurred cost is
16 roughly twice what you're proposing be included in
17 base rates going forward as a result of this case.
18 Correct?

19 A. That's -- that's correct. But you can
20 also look at it that during your test year and during
21 calendar year 2010, your costs are much lower than
22 that level too.

23 Q. Correct.

24 MR. MITTEN: I don't have any further
25 questions. Thank you, Mr. Cassidy.

1 JUDGE WOODRUFF: All right. And we'll
2 come up for questions from the Bench. Mr. Chairman?

3 QUESTIONS BY CHAIR GUNN:

4 Q. Can you just expound on that last point a
5 little bit? So -- so even though the actual costs are
6 higher for 2011, there's -- there's an offsetting,
7 lesser costs in -- in certain areas?

8 A. Yeah. We -- we have looked at, you know,
9 47 months of actual storm costs as adjusted for
10 amortizations that they are currently already
11 recovering in rates.

12 Q. Okay.

13 A. And the -- the true-up storm costs are
14 included within our normalization amount that we're
15 proposing to put into permanent rates. So we feel
16 like we've captured the effect of that storm within
17 our normalization.

18 Q. Okay. Thanks.

19 CHAIR GUNN: I don't have anything
20 further.

21 JUDGE WOODRUFF: Commissioner Kenney?

22 QUESTIONS BY COMMISSIONER KENNEY:

23 Q. Mr. Cassidy, thanks for your time. You
24 have a copy of 151. Right?

25 A. Yes, I do.

1 Q. I just want to make sure I understand
2 this. The 27,795,025 is the sum of each of these
3 non-labor related storm costs incurred starting from
4 April of '07 all the way through February 2012.
5 Right?

6 A. Yes.

7 Q. And then you back out of that the
8 4.8 million -- 4.9 million in the formula from the
9 2008 storm amortization recovery from ER-2008 and the
10 2009 from the last rate case. That's backed out of
11 that to get to this 18,960,350?

12 A. That's correct.

13 Q. And that's actual costs for that 47-month
14 period minus the two amortizations?

15 A. That's correct.

16 Q. And why do you back that out?

17 A. Okay. As part of the ER-2008 case, in
18 the test year of that case, the company incurred
19 \$4.8 million more in their test year than was baked
20 into rates with our normalized level. So we put
21 5.2 million in rates as part of that case, but they
22 incurred \$10 million of storm costs in their test
23 year. So we allowed an amortization of 4.8 over five
24 years.

25 Q. That was to make up for the difference

1 between what was actually put into rates and what they
2 actually spent?

3 A. In the test year.

4 Q. In the test year. Okay.

5 A. And so that test year is within the
6 context of these 47 months.

7 Q. All right.

8 A. So they're already recovering that
9 4.8 million in costs through an amortization in rates.

10 Q. And that's in a separate account
11 somewhere so it's accounted for separately?

12 A. Yes. It's accounted for separately and
13 they're collecting that in rates currently.

14 Q. And will continue to collect it until
15 it's completed?

16 A. Until it's completed. And the same thing
17 holds true for the 2010 case.

18 Q. So in the 2010 case --

19 A. The test year --

20 Q. -- it was baked into -- was set into the
21 rate-base --

22 A. Right.

23 Q. -- and they spent actually 3.9 million
24 more than that?

25 A. Right. 6.4 million was built into rates

1 on a normalized level and the company incurred
2 10.4 million in the test year.

3 Q. So that gets us to 18 million figure of
4 actual costs, but then you have no normalize that
5 figure. Right?

6 A. Right. So that 18 million is divided by
7 47 months --

8 Q. Okay.

9 A. -- to come up with the 4.8 million.

10 Q. All right. And that is the figure that
11 Staff proposes will go into rates for this case?

12 A. Yes.

13 Q. And then next year you'd have another
14 47-month rolling average?

15 A. Or -- or some extended --

16 Q. Something. And you would presumably
17 deduct out of that 47 months any amount over this
18 4.8 that the company ends up spending?

19 A. Yes. If those con-- if these
20 amortizations continue to be within that timeframe,
21 yes, we would propose to remove those costs since they
22 are already collecting them.

23 Q. All right. All right. I understand now.

24 COMMISSIONER KENNEY: Thank you very
25 much.

1 THE WITNESS: Okay.

2 QUESTIONS BY JUDGE WOODRUFF:

3 Q. I just have some questions about the
4 chart here also. Just the first one -- question's
5 about March 2010. Looking at the chart, it looks like
6 \$38 rather than 38,000. Should that be 38,000?

7 A. It should be 38,000.

8 Q. Because that was some confusion this
9 morning about that as well.

10 A. Yes.

11 Q. Okay. And then also on -- on the earlier
12 years, some of these numbers are -- I assume they're
13 negative since they're in parenthesis; is that
14 correct?

15 A. Yes. Those -- they do have corrections.
16 They over -- they get refunds and things that make the
17 numbers go negative in certain points, so --

18 Q. Okay.

19 A. -- those are correct.

20 JUDGE WOODRUFF: All right. That's all
21 the questions I have. Recross based on those
22 questions from the Bench?

23 MR. ROAM: I just have a couple
24 questions.

25 JUDGE WOODRUFF: We'll go MIEC, then

1 Public Counsel.

2 RECROSS-EXAMINATION BY MR. ROAM:

3 Q. Mr. Cassidy, in reference to the
4 questions that you got from the Bench about how you
5 derived that sum there at the bottom, I just -- for
6 clarity sake, so you just indicated that the amount in
7 March 2010, that was 38,000?

8 A. Yes.

9 Q. And then for 2011, that 8.1, that's for
10 storm preparation, I believe you testified?

11 A. Yes.

12 Q. So that wasn't for an actual storm that
13 happened. Right?

14 A. It was costs in preparation for a storm
15 that was expected.

16 Q. Okay. So for 2010 and 2011, the total
17 amount that was incurred for a storm that actually
18 occurred was 38,000?

19 A. I believe that's correct. That's what
20 I've heard indicated earlier today.

21 MR. ROAM: Okay. Thank you.

22 JUDGE WOODRUFF: Public Counsel?

23 RECROSS-EXAMINATION BY MR. MILLS:

24 Q. Mr. Cassidy, Commissioner Kenny asked you
25 some questions about the way that you backed out those

1 amortization recoveries. And just so the record is
2 clear, for both of those, the 4.9 million and the
3 4 million, absent an agreement by the parties and
4 approval by the Commission, what would have happened
5 with those costs?

6 A. Are you saying if those costs weren't
7 already baked into rates or --

8 Q. Well, the -- I think you testified that
9 these represent an amortization of costs above what
10 were baked into rates. What normally happens to costs
11 that are above what's nor-- what's baked into rates?

12 A. With other cost areas they -- they're
13 just normalized and whatever is baked into rates,
14 that's all the recovery there is.

15 Q. So for a normal cost if -- if a company
16 incurs a higher level of costs than what's baked into
17 rates, what happens?

18 A. They -- they wound up losing on that.

19 Q. Okay. So these amortizations in and of
20 themselves are extraordinary rate-making treatment.
21 Is that not correct?

22 A. Yes.

23 Q. Okay. And if we were to include the
24 amortization recovery within the calculation of the
25 normalization in this case, would that be essentially

1 double counting what is already an extraordinary
2 rate-making treatment?

3 A. Yes, I believe so.

4 Q. Okay.

5 MR. MILLS: That's all I have. Thank
6 you.

7 JUDGE WOODRUFF: Ameren wish to recross?

8 MR. MITTEN: I have a couple questions.

9 RE-CROSS-EXAMINATION BY MR. MITTEN:

10 Q. Mr. Cassidy, Mr. Roam asked you some
11 questions regarding the storm costs for 2011 that are
12 shown on Exhibit 155. Do you recall those?

13 A. Yes, I do.

14 Q. And you characterized those costs as
15 storm preparation costs; is that correct?

16 A. Yes.

17 Q. Now, focusing on the costs that are
18 recorded for 2009, the roughly \$9 million that was
19 incurred during 2009, would some of those costs be
20 preparation costs for actually going out and fixing
21 the damage caused by a storm?

22 A. I don't know that specifically.

23 Q. You don't know. So you don't know if the
24 costs that were recorded in 2011 differ from costs
25 that were recorded in 2009?

1 A. I don't know.

2 MR. MITTEN: I have no further questions.

3 Thank you, your Honor.

4 JUDGE WOODRUFF: All right. Any
5 redirect?

6 MS. MCCLOWRY: Yes.

7 REDIRECT EXAMINATION BY MS. MCCLOWRY:

8 Q. Mr. Cassidy, Mr. Mitten asked you
9 about -- he went through the numbers for 2007, 2008
10 and he asked you about the normalized level being less
11 than several of the 12-month data points on your work
12 paper. Do you remember that?

13 A. Yes.

14 Q. Okay. Were any of those costs included
15 in any of those sets of data points specifically
16 identified as being above normal and being amortized?

17 A. I think your question is asking me are
18 there costs within those numbers that are being
19 amortized and embedded in rates currently.

20 Q. Yes.

21 A. And if that's the case, yes.

22 MS. MCCLOWRY: I have no further
23 questions.

24 JUDGE WOODRUFF: All right. Then,
25 Mr. Cassidy, you can step down.

1 And the next witness then is Mr. Meyer.
2 And you were also sworn this morning, so you're still
3 under oath. You may inquire.
4 MR. ROAM: MIEC has no questions for
5 Mr. Meyer and tenders Mr. Meyer for cross-examination.
6 JUDGE WOODRUFF: Okay. Start with Public
7 Counsel.
8 MR. MILLS: No questions.
9 JUDGE WOODRUFF: Staff?
10 MS. MCCLOWRY: No questions.
11 JUDGE WOODRUFF: Ameren?
12 MR. MITTEN: No questions.
13 JUDGE WOODRUFF: All right. Questions
14 from the Bench? Do the Commissioners have any
15 questions for Mr. Meyer on this issue?
16 COMMISSIONER KENNEY: Yeah, I do.
17 GREG MEYER testified as follows:
18 QUESTIONS BY COMMISSIONER KENNEY:
19 Q. You saw Exhibit 151?
20 A. Yes, I got a copy of it.
21 Q. Do you agree with it or disagree with it?
22 A. I've actually proposed a different
23 methodology. I've looked at the storm costs that have
24 been incurred from the period that the test year --
25 beginning test year --

1 Q. Yeah.

2 A. -- through the true-up and that's
3 9.3 million.

4 Q. Okay.

5 A. And I divided that by approximately
6 23 months to come up with a \$4.9 million base level of
7 storm costs. I think, you know, the -- in my mind the
8 issue that we're facing today is what should we --
9 what should we establish as a base level storm costs
10 going forward. And -- and I believe that that level
11 should be 4.9 million.

12 We're also -- I think I've shown you
13 through -- I have a table at the back of my testimony
14 that shows that -- that customer rates have paid for
15 all storm costs during the test year for that
16 9.2 million. And, therefore, that amortization should
17 be rejected that's being proposed by the company.

18 So I understand Mr. Cassidy's approach --

19 Q. Uh-huh.

20 A. -- I've taken a different approach. Our
21 numbers have come up -- came up similar.

22 Q. Very close.

23 A. But ours is -- ours are -- it starts at a
24 different perspective.

25 Q. Do you accept as -- as appropriate

1 Staff's method of deducting from this 47-month total
2 the amount that was already collected in the '08 and
3 the 0-- and the 2010 cases? Assuming that you were to
4 use this method, would it be appropriate to have
5 deducted those two amortizations?

6 A. I think that's an approach that you could
7 accept, yes. I -- you know, I -- one of the -- one of
8 the concerns I have with -- with -- when we just look
9 at these in totality --

10 Q. Uh-huh.

11 A. -- is that in the -- for instance, the
12 January 2009 storm, I mean we've -- we've heard and
13 it's been discussed many times in front of -- in front
14 of the Commissioners, is that was a very severe ice
15 storm that -- that struck the southeast portion of
16 Missouri. And then -- and it ended up discontinuing
17 service to a major -- major customer.

18 That has been described in some circles
19 as a storm that's just not going to reoccur for many,
20 many years. And my concern is, is that to the extent
21 that you have those types of storms, should that be
22 used as a -- as an event to establish what a
23 normalized level of storm costs should be.

24 We -- you've got -- the Commission has --
25 has recognized and has -- has performed well in making

1 sure that AmerenUE recovers its storm costs. I've
2 done an analysis that says from April 1st, 2007, going
3 forward, every dollar of storm costs that AmerenUE has
4 incurred for major storms has been collected in rates.

5 So your mechanisms work. You have AAOs,
6 you have test years, you have true-up periods. And
7 you even have a mechanism that hasn't been utilized,
8 but if you were severely struck and you needed
9 emergency rate relief, you could consider that. So
10 the Commission has done all the right things and
11 there's no reason to -- to deviate from that. But
12 when you're setting the base level, I think we have to
13 be very careful what we do when we establish that base
14 level, what we include as the events.

15 Q. So extraordinary events, in other words,
16 should not necessarily be included at all?

17 A. Well, these are all extraordinary events.
18 What I'm saying is that you -- you can -- you can take
19 certain ones out, establish AAOs if -- if you decide
20 are separate amortizations, but the base level of
21 storm costs is what -- what would be of concern.

22 Q. And if you take a greater time period
23 then like in this case it's 47 months, it's almost
24 four years, doesn't that -- doesn't taking a longer
25 average period of time serve to smooth out, you know,

1 the effect of an extraordinary event like the January
2 2009 amount?

3 A. Well, it could.

4 Q. Yeah.

5 A. I don't know. The thing I would offer to
6 you though is you implemented vegetation management
7 and infrastructure inspection rules in July of 2008.

8 Q. Uh-huh.

9 A. I believe that that has had an effect to
10 reduce the severity of storms. I mean, it -- I'm
11 not -- I don't hold the position Mr. Wakeman does and
12 I -- so I'm going to preface it with that, but it just
13 makes sense to me that if I'm cutting the trees
14 farther back from the power lines, that -- that as
15 storms come along, my -- the probability of a branch
16 coming off of that tree and hitting a line is less
17 than it was prior to July 21-- I'm sorry, July 2008.

18 Now, granted I will agree with
19 Mr. Wakeman that no matter what vegetation rule you
20 had in effect, if a storm lifts a tree up and throws
21 it on the lines, we couldn't stop that.

22 Q. Sure.

23 COMMISSIONER KENNEY: All right. That
24 was very helpful. I don't have any other questions.
25 Thank you.

1 QUESTIONS BY CHAIR GUNN:

2 Q. If I might, I just have a follow-up to
3 some of the things you said. I mean, you -- you're
4 talking about how the January 9 storm is not a storm
5 that is likely to reoccur, but I mean, haven't we
6 seen -- and, you know, you can chalk it up to
7 whatever, but haven't we seen -- I mean, if the storm
8 had tracked a little bit differently that all the
9 storm preparation costs were for, we would have had a
10 January 2009 storm maybe even worse last year or
11 earlier this year? And in some places -- some places
12 in the state, not necessarily Ameren's service
13 territory, we have had ice events similar to that
14 January 2009 storm.

15 A. And if I -- if I was misleading, I
16 apologize. I'm not saying that you wouldn't give them
17 recovery of that.

18 Q. No, I understand.

19 A. I'm saying that what you would do in
20 my -- for establishing normalized level, I think you
21 have to look at those -- I think they're all -- these
22 are all extraordinary storms, as have been testified
23 with both the Staff and the company.

24 I think what we have to do though is say
25 what level of storms are we going to allow as a normal

1 level ongoing and then we have to look at the
2 mechanisms that you have at your hand -- at your
3 disposal to say what do we do with the ones that are
4 even farther out there.

5 Q. I understand that. But -- and I agree
6 with that. And -- but what I'm saying is, is that we
7 classify something as an extraordinary event based
8 upon number of outages and length of time out.
9 Correct?

10 A. Correct.

11 Q. So it's not frequency, it's number of
12 outages and length of time being -- being out. And we
13 have seen in this state several instances where the --
14 the -- since that -- since January 2009, not
15 necessarily in our service territory, but either a
16 very high potential for that happening or it actually
17 happening.

18 I mean, the south -- the -- the storm
19 that -- that went through most of the co-op territory
20 was not the January 2009 ice event?

21 A. Correct.

22 Q. It was later?

23 A. Correct.

24 Q. And then this latest storm that -- all
25 the storm preparation stuff, there was an ice event

1 further to the south. If it had tracked a little
2 bit -- if that ice had gone a little bit further
3 north, we would have had in the Ameren service
4 territory January 2009 levels most likely.

5 A. The last one?

6 Q. Yes.

7 A. Yes. Well, I -- and let me preface that.
8 The storm would have hit us, but I don't know what
9 the -- what the breakdown of the damage would have
10 been between expense and capital. And that's another
11 consideration you have to take into effect is -- I
12 mean, you know, the -- the storm that hit southeast
13 was devastating, you know. I listened to all the
14 reports from the company and the news outlets.

15 Q. Right.

16 A. But the devastation was more in the -- I
17 believe and I'm just doing this off the top of my
18 head, they had \$71 million of capital expenditures
19 that they incurred for that storm and \$7.2 million of
20 repairs expense. So it can shift between the two.
21 And --

22 Q. I see what you're saying.

23 A. So again, what we're -- what we want to
24 do is we can't just look at the storms in totality all
25 the time and say, Oh, they're all major storms, let's

1 increase the expense. Because the expense and the
2 capital sometimes play against each other. And that's
3 what -- I think a lot of that is helpful because of
4 the inspections and the tree trimming vegetation
5 management.

6 Q. Okay. All right. Thanks very much. I
7 appreciate it.

8 A. Sure.

9 JUDGE WOODRUFF: Anyone wish to recross
10 based on those questions from the Bench? Mr. Mills?

11 RE-CROSS-EXAMINATION BY MR. MILLS:

12 Q. Mr. Meyer, Commissioner Kenney asked you
13 some questions about Exhibit 151 and I just want to
14 make sure that I -- that I understand your position.
15 I understand this is not the approach you took, but if
16 you were to take this approach, would you also, like
17 Mr. Cassidy did, back out those amortizations?

18 A. I'm not sure that I would specifically
19 back those out as much as I'd want to make adjustments
20 for the storms that I don't believe are -- I hate to
21 say extremely extraordinarily, but to make those types
22 of adjustments. I think we would still get to the
23 same -- the same point, it would just be a different
24 way.

25 Q. Okay. Well, let me take it a step

1 further then. If you were to take this approach and
2 you were not to take out extraordinary storms, would
3 you then take out the amortizations for those storms?

4 A. Yes.

5 MR. MILLS: Okay. Thank you. That's all
6 I have.

7 JUDGE WOODRUFF: All right. Ameren?

8 MR. MITTEN: I have a couple questions.

9 RECROSS-EXAMINATION BY MR. MITTEN:

10 Q. Mr. Meyer, again, directing your
11 attention to Exhibit 151 and the amortizations that
12 are reflected there, do you understand it's the
13 Commission's policy that if there are extraordinary
14 storms, that the company can ask the Commission for
15 authority to implement an accounting authority order,
16 accumulate certain costs associated with those storms
17 and seek to get authority to recover those costs in a
18 future rate case?

19 A. I think I would agree with everything you
20 said up until the statement about seek recovery. I
21 probably would differ on the seeking the recovery of
22 how much of that storm. Because if you -- at least
23 some parties' positions would be if you had a
24 devastating storm hit your area, that -- when would
25 you start recognizing the -- the accounting

1 authorization to -- to write that storm off.

2 But -- but generally speaking, yes, you
3 would -- you could seek accounting authority
4 authorization and seek to recover some or all of that
5 expense in a -- in a -- in their next rate case to the
6 extent that it was timely filed.

7 Q. And generally speaking, the Commission
8 allows recovery of costs accumulated under an AAO over
9 a five-year period; is that correct?

10 A. For purposes of -- of this issue, yes.

11 Q. And each of the amortizations that are
12 reflected on Ameren Exhibit 151 are amortizations
13 seeking to recover costs that were accumulated under
14 accounting authority orders; is that correct?

15 A. These two amortizations that you've
16 listed here?

17 Q. Yes.

18 A. No.

19 Q. They weren't?

20 A. No.

21 Q. What costs are these designed to recover?

22 A. They're not re-- they're not designed to
23 recover AAOs.

24 Q. But they are designed to recover costs
25 that Ameren has incurred for repairs associated with

1 storms that occurred in the past that it didn't
2 otherwise collect through rates; is that correct?

3 A. These amortizations are -- at least one
4 of them for sure is the -- is the difference between
5 the average amount of storm costs built in the rate
6 case and what was incurred during the test year.

7 Q. But again, these are all costs that were
8 occurred -- incurred in the past; is that correct?

9 A. Oh, I'm sorry, yes.

10 MR. MITTEN: I don't have any further
11 questions. Thank you.

12 JUDGE WOODRUFF: Redirect?

13 MR. ROAM: I have no questions.

14 JUDGE WOODRUFF: Okay. Then Mr. Meyer,
15 you can step down.

16 And I believe that's all the witnesses
17 and testimony for today. Anything anyone wants to
18 bring up at the end of the day? All right. Then
19 we'll resume tomorrow morning at 8:30.

20 WHEREUPON, the hearing was adjourned
21 until 8:30 a.m., April 28, 2011.

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