

DIRECT TESTIMONY
OF
ERIC LOUNSBERRY

Engineering Department
Energy Division
Illinois Commerce Commission

Union Electric Company
Central Illinois Public Service Company

Petition for Approval of Transfer of Gas System Assets and Gas Public Utility Business
and for Approval of Entry into Various Agreements Related Thereto

Docket No. 03-0657

February 5, 2004

1 Q. Please state your name and business address.

2 A. My name is Eric Lounsberry and my business address is: Illinois Commerce
3 Commission ("Commission"), 527 East Capitol Avenue, Springfield, Illinois
4 62701.

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

6 A. I am employed by the Commission as the Supervisor of the Gas Section of the
7 Engineering Department of the Energy Division. I have worked for the
8 Commission since 1989.

9 Q. Please state your educational background.

10 A. I received a Bachelor of Science degree in Civil Engineering from the University
11 of Illinois and a Master of Business Administration degree from Sangamon State
12 University (now known as University of Illinois at Springfield).

13 Q. What are your primary responsibilities and duties as the Gas Section Supervisor
14 of the Energy Division's Engineering Department?

15 A. I assign my employees or myself to cases, provide training, and review work
16 products over the various areas of responsibility covered by the Gas Section. In
17 particular, the responsibilities and duties of Gas Section employees include
18 performing studies and analyses dealing with day-to-day, and long term,
19 operations and planning for the gas utilities serving Illinois. For example, Gas
20 Section employees review purchased gas adjustment clause reconciliations, rate

21 base additions, levels of natural gas used for working capital, and utility
22 applications for Certificates of Public Convenience and Necessity. They also
23 perform audits of utility gas meter shops.

24 Q. What is the purpose of this proceeding?

25 A. On October 22, 2003 Union Electric Company, d/b/a AmerenUE, and Central
26 Illinois Public Service Company, d/b/a AmerenCIPS (collectively, "Companies")
27 requested Commission approval for the transfer of AmerenUE's Illinois gas public
28 utility business, including all physical and intangible assets, and certificates and
29 other pertinent licenses and agreements to AmerenCIPS.

30 Q. What are your duties and responsibilities associated with this docket?

31 A. I was assigned to verify that the proposed transaction meets the requirements of
32 Section 7-203 and Section 7-204(b)(1) of the Public Utilities Act ("Act").

33 Q. What recommendations are you making in this proceeding?

34 A. I recommend that the Commission find that the Companies meet the
35 requirements of Section 7-203 and Section 7-204(b)(1) of the Act. I also
36 recommend that the Companies provide more detail regarding the specific
37 AmerenUE obligations that the Companies propose to assign to AmerenCIPS in
38 their rebuttal testimony.

39 Section 7-203

40 Q. What are the requirements of Section 7-203 of the Act?

41 A. Section 7-203 states, in part, that:

42 No franchise, license, permit or right to own, operate, manage or
43 control any public utility shall be assigned, transferred or leased nor
44 shall any contract or agreement with reference to or affecting any
45 such franchise, license, permit or right be valid or of any force or
46 effect whatsoever, unless such assignment, lease, contract, or
47 agreement shall have been approved by the Commission.

48 Q. Have the Companies requested Commission approval of the type of interest
49 referenced in Section 7-203?

50 A. Yes. It is my understanding that the Companies intend to assign all of
51 AmerenUE's obligations to AmerenCIPS at the time of the closing of the transfer
52 agreement.

53 Q. What is the basis for your understanding?

54 A. In the direct testimony of Craig D. Nelson, Ameren Exhibit No. 1.0, page 5, lines
55 102 through 107, he indicates that AmerenUE will assign all related obligations to
56 AmerenCIPS, including the certificates of public convenience and necessity
57 granted by the Commission, environmental permits and obligations, all municipal
58 and county franchises, supply contracts, maintenance and labor agreements,
59 and any other relevant agreements that exist as of the time of the closing of the
60 transfer agreement.

61 Also, Mr. Nelson's direct testimony, Schedule 1 (which is the Asset Transfer
62 Agreement between AmerenUE and AmerenCIPS) contains provisions for the
63 transfer of contracts from AmerenUE to AmerenCIPS. In the Asset Transfer
64 Agreement, contracts are defined (pursuant to Schedule 1, page 8) as "Subject

65 to Section 1.4(b) and 1.5, all rights, benefits and interests of Transferor in and to
66 all licenses, leases, contracts, agreements, commitments and undertakings
67 relating to the Business that is conducted at the Facilities (collectively, the
68 “Contracts”).

69 Finally, the Companies’ in their response to Staff data request ENG 1.8 have
70 provided a listing of each certificate of public convenience and necessity granted
71 by the Commission that AmerenUE intends to assign to AmerenCIPS. Further,
72 the Companies’ response to Staff data request ENG 1.9 provides a listing of all
73 other relevant documents that AmerenUE intends to assign to AmerenCIPS.

74 Q. Given your understanding of the Companies’ commitments discussed above, do
75 you believe the Commission should grant approval, pursuant to Section 7-203 of
76 the Act, of the transfer of the assets and liabilities as requested by the
77 Companies?

78 A. Yes. However, I would recommend that the Companies in their rebuttal
79 testimony provide a copy of the various agreements noted in their responses to
80 Staff data requests ENG 1.8 and 1.9 as well as an explanation as to whether or
81 not the identified documents constitute a full and complete listing of the
82 assignments from AmerenUE to AmerenCIPS.

83 Section 7-204(b)(1)

84 Q. What are the requirements of Section 7-204(b)(1) of the Act?

85 A. Section 7-204 of the Act requires Commission approval prior to any proposed
86 reorganization of a utility and requires the Commission to make a number of
87 findings, including those contained in Section 7-204(b)(1) of the Act. Specifically
88 Section 7-204(b)(1) states:

89 the proposed reorganization will not diminish the utility's ability to
90 provide adequate, reliable, efficient, safe and least-cost public utility
91 service.

92 Q. What information did you review to determine if the Companies meet these
93 requirements?

94 A. I reviewed the Companies' petition, the Companies' testimony of Jon Carls and
95 Craig Nelson, as well as the Companies' responses to several Staff data
96 requests. In particular, the information provided in the Companies' responses to
97 Staff data requests ENG 1.2 and 1.4 indicated that the Companies do not
98 anticipate any changes in the number of gas operations personnel nor would any
99 changes to the capital expenditure and the operations and maintenance expense
100 budgets occur as a result of the Commission's approval of the Companies'
101 proposal. Finally, the Companies also noted in response to Staff data request
102 ENG 1.6 that:

103 The manner in which the Companies operate the natural gas
104 systems will not change as a result of the proposed transfer. At this
105 time the Companies physically operate the gas systems utilizing a
106 single set of gas construction standards and a common operating
107 and maintenance plan. The Companies utilize the same computer
108 systems to manage the operation of the natural gas system
109 including a common billing system, work management system,
110 pipeline safety compliance system, and an emergency response
111 system for gas leaks. Additionally, the executive management

112 (vice-president) overseeing the operation and maintenance of the
113 natural gas system is the same for both Companies.

114 Q. Did you consider any other information?

115 A. Yes. I was personally involved in both Companies' general rate cases before the
116 Commission, Docket Nos. 02-0798, 03-0008 and 03-0009 Consolidated.

117 Therefore, I am aware that the Commission has used recent information to set
118 rates for both Companies.

119 Q. Based on your review of this information, do you believe that the Companies
120 meet the requirements of Section 7-204(b)(1) of the Act?

121 A. Yes.

122 Q. Does this conclude your direct testimony?

123 A. Yes.