

DIRECT TESTIMONY

OF

ERIC LOUNSBERRY

ENGINEERING DEPARTMENT

ENERGY DIVISION

ILLINOIS COMMERCE COMMISSION

ILLINOIS POWER COMPANY

d/b/a AmerenIP

DOCKET NO. 06-0746

SEPTEMBER 21, 2007

1 Q. Please state your name and business address.

2 A. My name is Eric Lounsberry, and my business address is 527 East Capitol  
3 Avenue, Springfield, Illinois 62701.

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

5 A. I am employed by the Illinois Commerce Commission ("Commission") as a  
6 Supervisor of the Gas Section of the Engineering Department of the Energy  
7 Division.

8 Q. Please state your educational background and work experience.

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

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

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

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

23 Q. What is the purpose of this proceeding?

24 A. On November 21, 2006, the Commission initiated its annual reconciliation of the  
25 Purchased Gas Adjustment (“PGA”) for calendar year 2006, as filed by Illinois  
26 Power Company, d/b/a AmerenIP, (“Company”), pursuant to Section 9-220 of the  
27 Illinois Public Utilities Act. This investigation was initiated to determine whether  
28 AmerenIP’s PGA clause reflects actual costs of gas and gas transportation for  
29 calendar year 2006 and whether those purchases were prudent.

30 Q. What is your assignment within this proceeding?

31 A. My assignment is to determine if AmerenIP’s natural gas purchasing decisions  
32 made during the reconciliation period were prudent.

33 Q. Did you discover any imprudent purchases during the reconciliation period?

34 A. No. Using the Commission’s criteria for prudence, I found no reason to dispute  
35 the Company’s assertion that all gas supply purchases were prudently incurred  
36 during the reconciliation period.

37 Q. What criteria does the Commission use to determine prudence?

38 A. The Commission has defined prudence as:

39                   **[...] that standard of care which a reasonable person**  
40                   **would be expected to exercise under the circumstances**  
41                   **encountered by utility management at the time**  
42                   **decisions had to be made. In determining whether or not**  
43                   **a judgment was prudently made, only those facts**  
44                   **available at the time the judgment was exercised can be**  
45                   **considered. Hindsight review is impermissible.**

46                   **Imprudence cannot be sustained by substituting one's**  
47                   **judgment for that of another. The prudence standard**  
48                   **recognizes that reasonable persons can have honest**  
49                   **differences of opinion without one or the other**  
50                   **necessarily being 'imprudent'. (Commission v.**  
51                   **Commonwealth Edison Company, Docket No. 84-0395,**  
52                   **Order dated October 7, 1987, page 17).**

53    Q.    What material did you review to determine the prudence of AmerenIP's  
54            natural gas purchasing decisions during the reconciliation period?

55    A.    I reviewed the direct testimony of AmerenIP's witnesses Gary J. Murphy,  
56            James K. Zeltmann, and Kenneth C. Dothage. I also reviewed Company  
57            responses to numerous Staff data requests that directly addressed issues  
58            related to the prudence of AmerenIP's natural gas purchasing. Finally, I  
59            conducted an on-site review of the Company's gas supply and  
60            transportation contracts and the process the Company used to select  
61            those contracts.

62    Q.    Does this conclude your direct testimony?

63    A.    Yes, it does.