

DIRECT TESTIMONY

OF

ERIC LOUNSBERRY

ENGINEERING DEPARTMENT

ENERGY DIVISION

ILLINOIS COMMERCE COMMISSION

CENTRAL ILLINOIS PUBLIC SERVICE COMPANY

d/b/a AmerenCIPS

DOCKET NO. 06-0743

OCTOBER 31, 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 Central  
26 Illinois Public Service Company, d/b/a AmerenCIPS, ("Company"), pursuant to  
27 Section 9-220 of the Illinois Public Utilities Act. This investigation was initiated to  
28 determine whether AmerenCIPS' PGA clause reflects actual costs of gas and  
29 gas transportation for calendar year 2006 and whether those purchases were  
30 prudent.

31 Q. What is your assignment within this proceeding?

32 A. My assignment is to determine if AmerenCIPS' natural gas purchasing decisions  
33 made during the reconciliation period were prudent.

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

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

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

39 A. The Commission has defined prudence as:

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

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

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

56 A. I reviewed the direct testimony of AmerenCIPS' witnesses Paul W.  
57 Mertens, Timothy L. Eggers, and Kenneth C. Dothage. I also reviewed  
58 Company responses to numerous Staff data requests that directly  
59 addressed issues related to the prudence of AmerenCIPS' natural gas  
60 purchasing. Finally, I conducted an on-site review of the Company's gas  
61 supply and transportation contracts and the process the Company used to  
62 select those contracts.

63 Q. Does this conclude your direct testimony?

64 A. Yes, it does.

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

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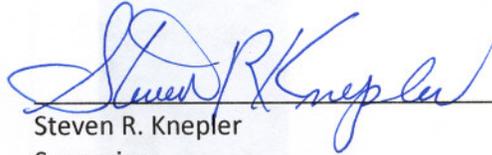
ILLINOIS COMMERCE COMMISSION :  
On Its Own Motion :  
-vs- :  
CENTRAL ILLINOIS PUBLIC SERVICE COMPANY : 06-0743  
d/b/a AMERENCIPS :  
Reconciliation of revenues collected under gas :  
Adjustment with actual costs prudently incurred. :

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**NOTICE OF FILING**

**TO ATTACHED SERVICE LIST:**

**YOU ARE HEREBY NOTIFIED** that we have on this 31<sup>st</sup> day of October 2007 forwarded to the Chief Clerk of the Illinois Commerce Commission for filing in the above-captioned docket, the Direct Testimony of Eric Lounsberry of the Energy Division, Engineering Department, a copy of which is hereby served upon you.



Steven R. Knepler  
Supervisor  
Accounting Department  
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**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY THAT** copies of the foregoing Notice, together with the documents referred to therein, were served upon the parties on the attached Service List, by messenger, electronic mail, facsimile and/or first-class mail, proper postage prepaid from Springfield, Illinois, on this 31<sup>st</sup> day of October 2007.



Steven R. Knepler  
Supervisor  
Accounting Department

**CENTRAL ILLINOIS PUBLIC SERVICE COMPANY**  
**d/b/a AMERENCIPS**  
**Docket No. 06-0743**  
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**ILLINOIS COMMERCE COMMISSION**

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