



1 APPEARANCES :

2 MR. CHRISTOPHER FLYNN, MR. ALBERT STURTEVANT,  
3 MR. PETER TROMBLEY & MR. MARK DeMONTE  
4 JONES DAY  
5 77 West Wacker  
6 Suite 3500  
7 Chicago, Illinois 60601  
8 Ph. (312) 272-3939

9 -and-

10 MR. MARK A. WHITT & MR. CHRISTOPHER T. KENNEDY  
11 CARPENTER, LIPPS & LELAND, LLP  
12 280 Plaza, Suite 1300  
13 280 North High Street  
14 Columbus, Ohio 43215

15 -and-

16 MR. EDWARD FITZHENRY & MR. MATTHEW TOMC  
17 Corporate Counsel  
18 1901 Chouteau Avenue  
19 P.O. Box 66149, Mail Code 1310  
20 St. Louis, Missouri 63166

21 (Appearing on behalf of the  
22 Ameren Illinois Utilities)

MR. MICHAEL R. BOROVIK  
Assistant Attorney General  
100 West Randolph Street, 11th Floor  
Chicago, Illinois 60601

(Appearing on behalf of the  
People of the State of Illinois)

19

20

21

22

1 APPEARANCES: (Continued)

2 MR. ERIC ROBERTSON & MR. RYAN ROBERTSON  
3 LUEDERS, ROBERTSON & KONZEN  
4 1939 Delmar Avenue  
5 P.O. Box 735  
6 Granite City, Illinois 62040

7 -and-

8 MR. CONRAD REDDICK  
9 Attorney at Law  
10 1015 Crest  
11 Wheaton, Illinois 60187-6271

12 (Appearing on behalf of the  
13 Illinois Industrial Energy  
14 Consumers)

15 MS. JANIS VON QUALEN & MR. JAMES OLIVERO  
16 Office of General Counsel  
17 527 East Capitol Avenue  
18 Springfield, Illinois 62701  
19 Ph. (217) 785-3808

20 -and-

21 MS. JENNIFER LIN  
22 Office of General Counsel  
160 North LaSalle, Suite C-800  
Chicago, Illinois 60601  
Ph. (312) 793-8183

(Appearing on behalf of Staff of  
the Illinois Commerce  
Commission)

20

21

22

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

I N D E X

WITNESS	DIRECT	CROSS	REDIRECT	RECROSS
MICHAEL G. O'BRYAN				
By Mr. Flynn	221		233	
By Mr. Olivero		225		
DAVID HEINTZ				
By Mr. DeMonte	235		253	
By Mr. Reddick		239		
ROCHELLE PHIPPS				
By Ms. Von Qualen	255			
By Mr. Flynn		258		
JANICE FREETLY				
By Mr. Olivero	267			
By Mr. Flynn		270		
By Judge Yoder		283		
RONALD STAFFORD				
By Mr. Whitt	285			
By Ms. Von Qualen		295		
By Mr. Borovik		309		
By Mr. Reddick		319		
SALVATORE FIORELLA				
By Mr. Whitt	348			
By Mr. Reddick		349		
PAUL M. NORMAND				
By Mr. Trombley	365		382	
By Ms. Lin		368		387
STEPHEN D. UNDERWOOD				
By Mr. Sturtevant	388		401	
By Mr. Olivero		391		404
By Jude Albers		403		

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

EXHIBITS

<u>AMEREN EXHIBITS</u>	<u>IDENTIFIED</u>	<u>ADMITTED</u>
2.0-E, 2.0-G, 2.1 thru 2.5 Rev, 2.6	e-docket	346
3.0 Rev, 3.0-E, 3.0-G	e-docket	346
4.0-E & 4.1 thru 4.6, 4.0-G & 4.0-4.6	e-docket	253
CILCO 13.0-E, 13.0-G, 13.1 thru 13.4	e-docket	234
CIPS 13.0-E Rev, 13.0-G, 13.1 thru 13.4	e-docket	234
IP 13.0-E Rev, 13.0-G, 13.1 thru 13.5	e-docket	234
16.0G thru 16.15G	e-docket	388
25.0, 25.1 thru 25.4	e-docket	346
27.0 thru 27.7	e-docket	388
29.0, 29.0 Att. A Rev & B, 29.1 thru 29,19	e-docket	347
30.0, 30.1 thru 30.8	e-docket	346
31.0 thru 31.2	e-docket	253
37.0 Rev, 37.1 thru 37.4	e-docket	234
47.0 thru 47.6	e-docket	405
51.0, 51.1 thru 51.6 Rev, 51.7 2nd Rev, 51.8 thru 51.3,	e-docket	346
51.15, 51.16 Conf, 51.17		
53.0	e-docket	253
59.0	e-docket	234
63.0 Rev, 63.1, 63.2	e-docket	405
69.0	e-docket	364
ICC Staff 5.0 R	e-docket	266
ICC Staff 6.0	e-docket	284
ICC Staff 19.0R	e-docket	266
ICC Staff 20.0	e-docket	284
Stafford Cross 1	306	309
CUB/AG Cross 1	317	318
Underwood Staff Cross 1	392	400
Underwood Staff Cross 2	395	400



1           MR. OLIVERO:   Appearing on behalf of the Staff  
2 witnesses of the Illinois Commerce Commission,  
3 Jennifer Lin, Janis Von Qualen and Jim Olivero.

4           MR. E. ROBERTSON:   Eric Robertson, Ryan  
5 Robertson, Lueders, Robertson and Konzen, and Conrad  
6 Reddick on behalf of the Illinois Industrial Energy  
7 Consumers.

8           JUDGE ALBERS:   Anyone else?   Well, perhaps some  
9 more will join us later.

10                           All right.   Any preliminary matters?  
11 Does anyone have any further -- I guess I should wait  
12 for Mr. Balough to appear.   I was going to ask about  
13 his motion in regard to the telephone appearance.

14           MR. FITZHENRY:   We have agreed to that.

15           JUDGE ALBERS:   That's what I thought someone  
16 indicated yesterday.   So I will ask him whenever he  
17 wants to withdraw that officially.

18                           Mr. Borovik, since you have joined us,  
19 would you like to enter your appearance?

20           MR. BOROVIK:   Yes, Your Honor.   Appearing on  
21 behalf of the People of the State of Illinois,  
22 Michael Borovik, B like boy, O-R-O-V like Victor,

1 I-K, 100 West Randolph Street, Chicago, Illinois  
2 60601.

3 JUDGE ALBERS: All right. Thank you. I don't  
4 think there is any other preliminary matters so we  
5 will go straight to our witness list. And our first  
6 witness is Mr. O'Bryan. I will go ahead and swear in  
7 everybody testifying today at the same time. So if  
8 you are on the list for Tuesday, please stand and  
9 raise your right hand.

10 (Whereupon the witnesses were  
11 duly sworn by Judge Albers.)

12 JUDGE ALBERS: The Company would like to call  
13 Mr. O'Bryan?

14 MR. FLYNN: We do.

15 MICHAEL G. O'BRYAN  
16 called as a witness on behalf of the Ameren Illinois  
17 Utilities, having been first duly sworn, was examined  
18 and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. FLYNN:

21 Q. Would you please state your name for the  
22 record.

1           A.    Michael G. O'Bryan.

2           Q.    Mr. O'Bryan, by whom are you employed?

3           A.    Ameren.

4           Q.    And in the course of your duties with  
5 Ameren did you cause several pieces of direct  
6 testimony to be prepared in this proceeding?

7           A.    Yes, I did.

8           Q.    I show you the following documents which  
9 have been identified as follows: AmerenCILCO Exhibit  
10 13.0-E, AmerenCILCO Exhibit 13.0-G, AmerenCIPS  
11 Exhibit 13.0-E Revised, AmerenCIPS Exhibit 13.0-G,  
12 AmerenIP Exhibit 13.0-E Revised and AmerenIP Exhibit  
13 13.0-G. Are these copies of the pieces of direct  
14 testimony that you had submitted in this proceeding?

15          A.    Yes.

16          Q.    And are they true and correct to the best  
17 of your knowledge?

18          A.    Yes.

19          Q.    And in the course of your direct testimony  
20 did you identify, describe and sponsor certain  
21 exhibits?

22          A.    Yes.

1           Q.    And I show you the following documents:  
2    AmerenCILCO Exhibits 13.1 through 13.4, AmerenCIPS  
3    Exhibits 13.1 through 13.4 and AmerenIP Exhibits 13.1  
4    through 13.5.  Are these copies of the exhibits that  
5    you identify and describe and sponsor in your direct  
6    testimony?

7           A.    Yes.

8           Q.    And were they prepared by you or under your  
9    direction and supervision?

10          A.    Yes.

11          Q.    Do they accurately reflect what they  
12    purport to reflect?

13          A.    Yes, they do.

14          Q.    Did you also cause rebuttal testimony to be  
15    submitted in this proceeding?

16          A.    Yes, I did.

17          Q.    I show you a document previously marked as  
18    Ameren Exhibit 37.0 Revised.  Is this a copy of your  
19    rebuttal testimony?

20          A.    Yes, it is.

21          Q.    And is it true and correct to the best of  
22    your knowledge?

1           A.    Yes.

2           Q.    In the course of your rebuttal testimony  
3 did you identify, describe and sponsor certain  
4 exhibits?

5           A.    Yes.

6           Q.    I show you documents previously marked as  
7 Ameren Exhibits 37.1 through 37.4. Are these the  
8 exhibits that you identify and describe and sponsor  
9 in your rebuttal testimony?

10          A.    Yes.

11          Q.    Were they prepared by you or under your  
12 direction and supervision?

13          A.    Yes, they were.

14          Q.    And do they accurately reflect what they  
15 purport to reflect?

16          A.    Yes.

17          Q.    Lastly, did you cause surrebuttal testimony  
18 to be prepared for this proceeding?

19          A.    Yes, I did.

20          Q.    And I show you a document previously marked  
21 as Ameren Exhibit 59.0. This is a copy of your  
22 surrebuttal testimony?



1 correct that on June 30, 2009, Ameren and its  
2 subsidiaries entered into an Illinois credit facility  
3 and an amended and reinstated and existing Missouri  
4 credit facility?

5 A. That is correct.

6 Q. And isn't it true the amended and  
7 reinstated Missouri credit facility has lower  
8 borrowing rates from declining lenders than  
9 consenting lenders?

10 A. That is true.

11 Q. And can you please explain why the Ameren  
12 utilities have no ability to borrow from declining  
13 lenders under the Illinois credit facilities?

14 A. The declining lenders in the case of the  
15 \$1.15 billion credit facility and also the \$150  
16 million credit facility declined the revisions of the  
17 refinancing, if you will, of that credit facility.  
18 Because they declined to lend under the new facility,  
19 the old facility is still in place and had not  
20 expired yet. So that facility continues to charge  
21 rates that are consistent with the original facility.  
22 That's why there are lower rates in that case. And

1 the Illinois utilities, the new facility was able to  
2 be -- was a new facility. Therefore, it was  
3 negotiated at that time at a higher rate because the  
4 higher rates were consistent with the market at that  
5 point in time.

6 Q. So can you explain to us why wasn't the  
7 Illinois credit facility amended like the Missouri  
8 credit facility was?

9 A. Well, it was amended consistent with a lot  
10 of the terms of the Missouri facility. The accepting  
11 lenders or the consenting lenders in the Missouri  
12 facility, those rates were consistent with the  
13 Illinois facility rates which were the rates at that  
14 point in time. That's where the market was. But  
15 there were no banks that declined the Illinois  
16 facility and, therefore, there was no old facility  
17 that stayed in place. The old Illinois facility was  
18 a new facility.

19 Q. Moving on, Mr. O'Bryan, you provided a  
20 response to a data request sent by Staff, RP 17.01.  
21 Do you have that with you?

22 A. Yes, I do.

1           Q.    And in the first line of your response to  
2    Subparagraph A you had individual sub-limits are  
3    sized to insure that each utility has sufficient  
4    liquidity.  Do you see that?

5           A.    Yes.

6           Q.    Is there any underlying assumption that the  
7    peak borrowing periods are different when determining  
8    the appropriate borrowing sub-limits for each of the  
9    Ameren Illinois utilities?

10          A.    Generally, when we are looking at  
11    individual sub-limits, we want to insure, just like I  
12    said in the data response, that each utility has  
13    sufficient liquidity, and there isn't any kind of  
14    underlying assumption in that case when we look at  
15    individual sub-limits that the individual utility  
16    should have to rely on another utility for liquidity.  
17    So when we are sizing individual sub-limits in a  
18    facility, we just want to be a little bit  
19    conservative in this case and make sure there is  
20    sufficient liquidity.

21          Q.    Again, I am not that, I guess, experienced  
22    in terms of the response that you gave, but is that

1 basically a yes to the question?

2 A. Yes.

3 Q. Okay. And could you please explain where  
4 you take into consideration then that the peak  
5 borrowing periods are different when determining the  
6 appropriate borrowing sub-limits for each of the  
7 Ameren Illinois utilities?

8 A. Well, in the case of the recent Illinois  
9 facility that was put in place, you know, the total  
10 facility sub-limit or the total facility size is  
11 predicated in this case on the assumption that, you  
12 know, Ameren Corp. is a party to this borrowing  
13 agreement and they also can borrow from the Missouri  
14 facility, like I said, at a slightly, modestly lower  
15 rate. And, therefore, if the sub-limits were such  
16 that they were creeping up in the Illinois utilities'  
17 case, then Ameren could always borrow at a greater  
18 level from the Missouri facility, therefore creating  
19 room in the Illinois facility for the Illinois  
20 utilities to borrow from.

21 Q. Mr. O'Bryan, just for a moment can I go  
22 back to the prior question that I had asked about the

1 underlying assumption that peak borrowing periods are  
2 different when determining the appropriate borrowing  
3 sub-limits for the Ameren Illinois utilities? I  
4 think you said your response was yes to that?

5 A. Please restate the question.

6 Q. When I had asked a question regarding Data  
7 Request 17.01 and the response that you provided, I  
8 had asked is there any underlying assumption that the  
9 peak borrowing periods are different when determining  
10 the appropriate borrowing sub-limits for each of the  
11 Ameren Illinois utilities. And I believe you gave a  
12 response, and then I asked is that a yes or a no, and  
13 you had said, I believe, that it was a yes. Can you  
14 reconcile that with, I guess, your response, which  
15 some of it I wasn't following, and my subsequent  
16 follow-up question to that?

17 MR. FLYNN: I wonder if I could ask, you know,  
18 by peak borrowing periods, are you talking about  
19 times of the year? I am just trying to help the  
20 witness understand so we are all on the same page.

21 MR. OLIVERO: I think it is when the utilities  
22 reach the maximum of their sub-limits.

1           Q.    I mean, do you understand what's meant by  
2 the peak borrowing period?

3           A.    I think I stated in testimony that  
4 coincident borrowing at their maximum sub-limits  
5 tends to be rare, is what I stated in testimony.  And  
6 that is the case.  And when we look at total  
7 sub-limits versus sub-limit size, that's taken into  
8 consideration.

9           Q.    If you have the data request response to  
10 17.01 in front of you, can you, I guess, explain to  
11 me where in that response is that considered?

12          A.    Well, I think in the response I  
13 concentrated on individual sub-limits and how  
14 individual sub-limits in this case in the AIU  
15 borrowing is -- you know, they have hit their max in  
16 all three of them.  But, you know, I have stated  
17 elsewhere in testimony that they don't always hit  
18 their max at the same time.  And, in fact, two of  
19 them have only, you know, rarely hit their max at the  
20 same time, is what I am saying.  And there is a  
21 difference between individual sub-limits and the size  
22 of the facility.

1 Q. So that wasn't really -- you didn't go into  
2 detail on that in your data request response?

3 A. No.

4 Q. And then, finally, did AmerenIP declare  
5 dividends on its common stock on October 9, 2008, in  
6 an amount not to exceed \$15 million?

7 A. I don't have that information right in  
8 front of me.

9 MR. OLIVERO: May I approach the witness, Your  
10 Honor?

11 JUDGE ALBERS: Yes.

12 BY MR. OLIVERO:

13 Q. I am going to show you what's been marked  
14 as O'Bryan Staff Cross Exhibit Number 1. It was a  
15 response to Data Request RP 1.05. Would you take a  
16 look at that?

17 A. Yes.

18 Q. Are you familiar with this?

19 A. Yes.

20 Q. And does that refresh, I guess, your memory  
21 in terms of whether AmerenIP declared dividends on  
22 common stock on October 9, 2008?

1 A. Yes.

2 Q. And the answer is yes?

3 A. Yes. It does say that they intended to  
4 declare dividends. I am assuming that they went  
5 ahead and paid those dividends.

6 MR. OLIVERO: Thank you, Mr. O'Bryan. That's  
7 all we have.

8 JUDGE ALBERS: Anyone else? Any redirect?

9 MR. FLYNN: Is Staff going to move for the  
10 admission of Cross Exhibit 1?

11 MR. OLIVERO: No, Your Honor.

12 JUDGE ALBERS: Do you want to redirect, Mr.  
13 Flynn?

14 MR. FLYNN: I am thinking about it.

15 REDIRECT EXAMINATION

16 BY MR. FLYNN:

17 Q. Mr. O'Bryan, Mr. Olivero asked you some  
18 questions about what's been designated as O'Bryan  
19 Staff Cross Exhibit Number 1. Do you have that in  
20 front of you?

21 A. Yes.

22 Q. And it consists of two data request

1 responses, right?

2 A. I just have RP 1.05.

3 Q. Right, and the response included FIN 2.01,  
4 is that right?

5 A. Yes.

6 Q. And in FIN 2.01 did the response indicate  
7 that the AmerenIP dividend could reasonably be  
8 declared and paid without impairment of the ability  
9 of the utility to perform its duty to render  
10 reasonable and adequate service at reasonable rates?

11 A. Yes.

12 MR. FLYNN: That's all I have.

13 JUDGE ALBERS: Any recross?

14 MR. OLIVERO: No, Your Honor.

15 JUDGE ALBERS: All right. As far as exhibits  
16 of Mr. O'Bryan, I heard no objection, so the exhibits  
17 previously identified by Mr. Flynn are admitted into  
18 the record.

19 (Whereupon AmerenCILCO Exhibits  
20 13.0-E, 13.0-G, 13.1 through  
21 13.4, AmerenCIPS Exhibits 13.0-E  
22 Revised, 13.0-G, 13.1 through

1 13.4, AmerenIP Exhibits 13.0-E  
2 Revised, 13.0-G, 13.1 through  
3 13.5, Ameren Exhibits 37.0  
4 Revised, 37.1 through 37.4 and  
5 59.0 were admitted into  
6 evidence.)

7 JUDGE ALBERS: Thank you, Mr. O'Bryan.

8 (Witness excused.)

9 JUDGE ALBERS: Mr. Heintz is next.

10 DAVID HEINTZ

11 called as a witness on behalf of the Ameren Illinois  
12 Utilities, having been first duly sworn, was examined  
13 and testified as follows:

14 DIRECT EXAMINATION

15 BY MR. DeMONTE:

16 Q. Mr. Heintz, could you please state your  
17 name for the record.

18 A. My name is David Heintz.

19 Q. And please provide your business address.

20 A. Business address is 293 Boston Post Road  
21 West, Suite 500, Marlborough, Massachusetts.

22 Q. By whom are you employed?

1           A.    I am employed by Concentric Energy Advisors  
2 as an Assistant Vice President.

3           Q.    And that is your title?

4           A.    It is.

5           Q.    I have before me what has been previously  
6 marked as Ameren Exhibit 4.0-E which appears to be  
7 your direct testimony filed on June 5, 2009.  In  
8 addition to that, attached to that, is Ameren  
9 Exhibits 4.1 through 4.6.  Do you recognize these as  
10 your direct testimony and exhibits?

11          A.    I do.

12          Q.    And was this testimony and these exhibits  
13 prepared by you or under your direction?

14          A.    They were.

15          Q.    And are they true and accurate to the best  
16 of your knowledge?

17          A.    They are.

18          Q.    Mr. Heintz, I also have before me Ameren  
19 Exhibit 4.0-G as well as Ameren Exhibits 4.1 through  
20 4.6 filed on June 5, 2009, as well.  Do you recognize  
21 these as your direct testimony?

22          A.    I do.

1 Q. And was this testimony and these exhibits  
2 prepared by you or under your direction?

3 A. They were.

4 Q. And are they true and accurate to the best  
5 of your knowledge?

6 A. They are.

7 Q. I also have before me or I am also showing  
8 to you Ameren Exhibits 31.0 through 31.2 which  
9 appears to be your rebuttal testimony filed on  
10 October 23, 2009?

11 A. Yes.

12 Q. Was this testimony and these exhibits  
13 prepared by you or under your direction?

14 A. They were.

15 Q. And are they true and accurate to the best  
16 of your knowledge?

17 A. They are.

18 Q. Finally, Mr. Heintz, I have before me and  
19 showing to you Ameren Exhibit 53.0 which is the  
20 surrebuttal testimony filed on December 2, 2009. Was  
21 this testimony -- sorry, there were no exhibits. Was  
22 this testimony prepared by you or under your

1 direction?

2 A. It was.

3 Q. Are they true and accurate to the best of  
4 your knowledge?

5 A. They are.

6 MR. DeMONTE: At this time, Your Honor, we  
7 would move for the admission of the exhibits  
8 identified by Mr. Heintz.

9 JUDGE ALBERS: Any objection at this time?  
10 Hearing none, we will take up the admissibility  
11 following cross.

12 Is he tendered for cross.

13 MR. DeMONTE: I believe there is cross, Your  
14 Honor. We tender the witness for cross.

15 JUDGE ALBERS: I thought Staff and IIEC  
16 indicated they had questions, is that correct?

17 MR. OLIVERO: We would go after IIEC, if that  
18 is all right.

19 MR. REDDICK: Is it okay if I do it from here,  
20 Your Honor?

21 MR. DeMONTE: I would just ask the witness,  
22 Mr. Heintz, can you see?

1 MR. HEINTZ: I can.

2 CROSS EXAMINATION

3 BY MR. REDDICK:

4 Q. Mr. Heintz, you developed the lags for the  
5 lead-lag study, correct?

6 A. That is correct.

7 Q. And the result of your lead-lag study  
8 became the basis for the Companies' cash working  
9 capital requirement?

10 A. That is correct.

11 Q. Now, do you agree that in performing a  
12 lead-lag study we should focus on cash expenses?

13 A. That is true.

14 Q. And would you also agree that the  
15 disagreement that you have with Mr. Meyer, the IIEC  
16 witness, relates to the collection lag of the revenue  
17 lag you computed?

18 A. That is correct.

19 Q. Is it your position that -- well,  
20 Mr. Meyer's position is that uncollectibles should  
21 not be included in the weighted averages for the  
22 determination of collection lag. Is that the point

1 of his testimony with which you disagree?

2 A. Well, his testimony was that uncollectibles  
3 should not be part of the lead-lag study, and I don't  
4 disagree with that.

5 Q. Okay. So you agree that uncollectibles  
6 should not be a part of the lead-lag study?

7 A. Yes.

8 Q. In your surrebuttal testimony you did a  
9 calculation that you suggest shows that including or  
10 excluding the uncollectibles in your calculation  
11 would make a very small difference?

12 A. That is correct.

13 Q. And if your verification that you presented  
14 in your surrebuttal testimony was in error, would you  
15 change your conclusion that inclusion or exclusion of  
16 the uncollectibles wouldn't make a difference in your  
17 result?

18 A. I am sorry. I am not sure I understand  
19 your question.

20 Q. If the verification that you performed, is  
21 what I am asking about, if that verification were in  
22 error, would you change your position that inclusion

1 or exclusion of the uncollectibles would not make a  
2 difference in your result?

3 A. If it could be shown in error. I presented  
4 a method of removing the uncollectibles which showed  
5 that there was no difference. Someone else might be  
6 able to come up with a different method of that  
7 calculation; we would have to examine that.

8 Q. So I am still not sure what the answer to  
9 my question was.

10 A. I said I would have to see the study or  
11 whatever you would suggest that would show that I was  
12 in error in the way I calculated that.

13 Q. But if you did, if you were shown an error,  
14 would you agree that the presence or absence of the  
15 uncollectibles could make a difference in the  
16 lead-lag study?

17 A. It could make a difference, yes. That is  
18 entirely possible.

19 Q. Now, in your collection lag study you used  
20 time periods of bill payment beginning with current  
21 and going through 0 to 30, 30 to 60, 60 to 90 days,  
22 is that correct?

1           A.    That is correct, yes.

2           Q.    And those periods represent the time before  
3   the current -- I am sorry, the time before the  
4   customers actually make payment of the bills they  
5   have been sent?

6           A.    What it shows were the accounts receivable  
7   within those periods of time.  So it is an aged  
8   accounts receivable.  So it said that these were the  
9   accounts receivable that are current or 30 to 60 days  
10  behind, 60 to 90.

11          Q.    And do the numbers -- well, let me ask you  
12  first.

13                    Did you track the numbers of bills or  
14  just the amounts of the bills?

15          A.    Just the amounts.

16          Q.    And were the amounts that you indicated  
17  that you used simply a snapshot as of a certain point  
18  in time?

19          A.    That is correct.

20          Q.    And if a bill is paid before its due date,  
21  you place that revenue amount in the current period?

22          A.    Correct.

1 Q. And if a bill was paid after the due date  
2 but within 30 days of the due date, you would place  
3 that in the 0 to 30?

4 A. Correct, it would fall into one of those  
5 buckets.

6 Q. And the same would apply to the other two  
7 periods as well?

8 A. Yes.

9 Q. Now, if a bill is unpaid after 90 days, how  
10 was that treated in the development of your weighted  
11 average?

12 A. I mean, there is no collection bucket that  
13 we had beyond the 60 to 90 day, so.

14 Q. Okay. And did you examine the AIU policy  
15 on uncollectibles to determine when a bill is  
16 declared uncollectible?

17 A. I did not, no.

18 Q. So you simply excluded all bills that were  
19 unpaid after 90 days?

20 A. That's correct.

21 Q. Now, the recalculation to verify your  
22 position that uncollectibles have no effect on

1 collection lag is presented at lines 166 through 177  
2 of your surrebuttal testimony, is that correct?

3 A. That is correct.

4 Q. Could you take me through then, beginning  
5 with "I multiplied the uncollectible percentage"? I  
6 am trying to follow exactly what you did.

7 A. Sure. What we did is, for each of the  
8 collection buckets, the current, the 0 to 30, 30 to  
9 60, what we did was take the uncollectible percentage  
10 which I believe is 1.13 percent, applied that to the  
11 total revenues in those buckets, and then the net of  
12 that was to be the collectible, if you would, or  
13 revenues less uncollectible expense.

14 Q. Okay. So if I may, I would like to restate  
15 it so that I understand. Test year write-offs and  
16 test year revenues were used to calculate an  
17 uncollectible percentage?

18 A. Correct.

19 Q. And that uncollectible percentage then was  
20 multiplied times the test year revenues?

21 A. In each of the different --

22 Q. In each of the different --

1           A.    Collection buckets.

2           Q.    Payment periods?

3           A.    Payment periods, sure.

4           Q.    Collection buckets, either term.  I am  
5   sorry, I lost my question.

6                        So the calculated uncollectible  
7   percentage was multiplied times the test year  
8   revenues in each of the collection buckets?

9           A.    Correct.

10          Q.    And to check the validity of your  
11   conclusion that uncollectibles don't make a large  
12   difference, you subtracted the result of that from  
13   the test year revenues to get an amount of revenues  
14   net of uncollectibles?

15          A.    Correct.

16          Q.    Now, that is the sentence that ends on line  
17   169, if I am correct?

18          A.    Yes.

19          Q.    But so far I don't see how we checked the  
20   collection lag there.  What did you do next to get  
21   the next sentence which says, "The revised  
22   calculation reduced the collections amount"?

1           A.    Each of those collection buckets have a lag  
2 associated with them, and the weighted average of  
3 that lag becomes the net collection lag.  And it  
4 changed slightly from 28.13 days in the original  
5 study to 28.12 days.

6           Q.    Did you use the same uncollectibles  
7 presented for each of the companies?

8           A.    Yes.

9           Q.    And did you use the same uncollectibles  
10 percentage for each of the collection buckets?

11          A.    I did, yes, because there was no way to say  
12 what part of the revenues in each of those buckets  
13 would be uncollectible, other than by the use of the  
14 overall percentage.

15          Q.    So the calculation that you did assumes  
16 that people who pay their bills before the due date  
17 are responsible for the same percentage of  
18 uncollectibles as people who pay their bills after 60  
19 days?

20          A.    No.  All it is saying is that within, say,  
21 the current collection period, when we looked at  
22 that, some of those revenues will become

1 uncollectible. We don't know which ones they are.  
2 The only method I have, I had to assume what it was,  
3 what would be overall uncollectible percentage.

4 Q. And you did assume that each collection  
5 bucket contributed the same percentage?

6 A. That is correct.

7 Q. On --

8 JUDGE ALBERS: May I interrupt for a minute,  
9 just to make sure I understand? Collection buckets,  
10 is that -- is there a collection bucket for each rate  
11 class for each period?

12 MR. HEINTZ: No, for the entire company. So we  
13 looked at receivables for each week of the year. And  
14 for each week we said of the receivables how many  
15 were current, 0 to 30 days, 30 to 60 and 60 to 90.  
16 So we divided them up into different aging sections  
17 or tiers.

18 JUDGE ALBERS: Thank you.

19 BY MR. REDDICK:

20 Q. Now, it is true that in most cases the  
21 largest collection bucket is either current or 0 to  
22 30?

1           A.    I believe that is correct.

2           Q.    And that amount of revenues multiplied by  
3   the uncollectibles -- strike that.  Let me start  
4   over.

5                        That amount is one of the factors in  
6   your calculation of the weighted days that you add  
7   together to get to the lag period?

8           A.    I am not sure I understand the question.  I  
9   think I do, but.

10          Q.    I am just trying to avoid the math.  You  
11   take the revenue amount in each collection bucket,  
12   divide it by the total revenues for the company, and  
13   multiply that times the days period, actually the  
14   midpoint of the period?

15          A.    The midpoint of the period, and that  
16   produces the weighted average collection lag.

17          Q.    So the size of the bucket matters in the  
18   weighting that goes to that period?

19          A.    That is correct.

20          Q.    Similarly, the other factor in that, if we  
21   take uncollectibles out, the uncollectibles  
22   percentage, that would also affect the weighting,

1 would it not?

2 A. Absolutely. You know, how much -- what you  
3 would assume for the uncollectibles would, yes,  
4 affect the revenue bucket which would affect the  
5 weighting.

6 Q. And your calculation, just to be clear,  
7 assumes that each collection bucket is responsible  
8 for the same percentage of uncollectibles?

9 A. That is correct.

10 Q. And is that a realistic assumption to you?

11 A. Yes, it is, again, because I have no way of  
12 knowing in each of those receivable buckets which  
13 revenues are uncollectible. The only thing I have is  
14 the overall percentage.

15 Q. No, I understand that you don't have the  
16 data. But my question was, is that a realistic  
17 assumption?

18 A. I believe it is, yes, sir.

19 Q. And if the customers who are in the 60 to  
20 90-day period were in fact responsible for more  
21 uncollectibles than customers who pay currently, then  
22 the assumption that they are equally responsible

1 would have to be modified?

2 A. If you could show that.

3 Q. Yes.

4 A. Again --

5 Q. And in that case we would be multiplying a  
6 larger uncollectible percentage, perhaps, in one  
7 bucket or the other, I won't say which one, but one  
8 bucket or the other would be multiplied by a larger  
9 uncollectible percentage?

10 A. That is a potential.

11 Q. And in that case the actual revenues that  
12 would be attributed to that bucket would be reduced?

13 A. That would be the outcome, yes.

14 Q. And the result of that would be that the  
15 weight given to that particular bucket would  
16 decrease?

17 A. That would be true.

18 Q. I would like to go back to your  
19 verification. Your original calculation of the  
20 weighted average periods generated a percentage for  
21 each collection bucket?

22 A. As a percent of total revenue.

1           Q.    As a percent of total revenue.  And your  
2 verification then reduced those percentage  
3 contributions of each bucket by the same percentage?

4           A.    Correct, which is why the number did not  
5 change, slightly.

6           Q.    That's precisely my point.  Shouldn't we  
7 really be surprised that they weren't exactly the  
8 same?

9           A.    I would only say that it had to be within  
10 the rounding.

11          Q.    In the rounding.  But for the rounding, we  
12 would have expected that they would be equal?

13          A.    Correct.

14          Q.    So the fact that they are equal proves  
15 nothing?

16          A.    Well, no, that the only way that I had to  
17 try to associate any particular level of  
18 uncollectible is the percentage, and that is the  
19 result.

20          Q.    Isn't it true that if we have a series of  
21 ratios and we reduce each ratio in that series by the  
22 same percentage, the relationship of the group ratios

1 will not change?

2 A. Yes.

3 Q. So that if one was 1.7 times larger than  
4 the other, the first was 1.7 times larger than the  
5 second, if we reduce them both by the same  
6 percentage, they would still be 1.7 times different?

7 A. That is correct.

8 MR. REDDICK: Thank you. I have no further  
9 questions.

10 MR. HEINTZ: Thank you.

11 JUDGE ALBERS: Mr. Olivero?

12 MR. OLIVERO: Your Honor, we would have no  
13 cross questions based on the cross of Mr. Reddick.

14 MR. DeMONTE: Your Honors, may I have one  
15 moment?

16 JUDGE ALBERS: Yes.

17 (Pause.)

18 MR. DeMONTE: Your Honors, I have brief  
19 redirect.

20 JUDGE ALBERS: Okay.

21

22

1 REDIRECT EXAMINATION

2 BY MR. DeMONTE:

3 Q. Mr. Heintz, what process did you implement  
4 to insure that no error was made in your verification  
5 process?

6 A. We looked at what the total revenues were  
7 in each of the things, verified that those were in  
8 fact what they were. Applied percentages, checked  
9 the calculations and re-did the math and got our  
10 results.

11 Q. So you did perform an audit of the results?

12 A. Yes.

13 MR. DeMONTE: That is all, Your Honor. No  
14 further questions, Your Honor.

15 JUDGE ALBERS: Any recross?

16 MR. REDDICK: No, Your Honor.

17 JUDGE ALBERS: Okay. Hearing no objection to  
18 the testimony of Mr. Heintz, the previously  
19 identified exhibits are admitted.

20 (Whereupon Ameren Exhibits 4.0-E  
21 and 4.1 through 4.6, Ameren  
22 Exhibits 4.0-G and 4.0 through

1 4.6, Ameren Exhibits 31.0  
2 through 31.2, and Ameren Exhibit  
3 53.0 were admitted into  
4 evidence.)

5 (Witness excused.)

6 JUDGE ALBERS: I think our next witness then is  
7 for Staff which would be Ms. Phipps.

8 MS. VON QUALEN: She stepped out for just one  
9 second.

10 JUDGE YODER: Well, why don't we take about a  
11 five or seven-minute break.

12 (Whereupon the hearing was in a  
13 short recess.)

14 JUDGE YODER: Ms. Phipps, were you previously  
15 sworn?

16 MS. PHIPPS: Yes, I was.

17 JUDGE YODER: Ms. Von Qualen.

18

19

20

21

22

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

ROCHELLE PHIPPS

called as a witness on behalf of Staff of the Illinois Commerce Commission, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MS. VON QUALEN:

Q. Good morning, Ms. Phipps.

A. Good morning.

Q. Please state your name for the record.

A. Rochelle, R-O-C-H-E-L-L-E, Phipps,

P-H-I-P-P-S.

Q. Who is your employer and what is your business address?

A. The Illinois Commerce Commission, 527 East Capitol Avenue, Springfield, Illinois 62701.

Q. What is your position at the Commission?

A. I am a Senior Financial Analyst in the Finance Department of the Financial Analysis Division.

Q. Ms. Phipps, did you file testimony to be submitted in this proceeding?

A. Yes, I did.

1 Q. Do you have before you a document which is  
2 identified as ICC Staff Exhibit 5.0R Revised, Direct  
3 Testimony of Rochelle Phipps?

4 A. Yes, I do.

5 Q. That was filed on December 8, 2009?

6 A. Yes.

7 Q. And am I correct that that was filed in  
8 both redacted and unredacted versions?

9 A. Yes, it was.

10 Q. And do you have several schedules and  
11 attachments included with that testimony?

12 A. Yes, I do.

13 Q. Did you prepare that testimony for this  
14 proceeding?

15 A. Yes, I did.

16 Q. Do you have any additions or corrections to  
17 the testimony?

18 A. No, I don't.

19 Q. Is the testimony and the attached  
20 documents, are they true and correct to the best of  
21 your knowledge?

22 A. Yes, they are.

1 Q. Do you also have before you a document  
2 which has been identified as ICC Staff Exhibit 19.0R,  
3 the Revised Rebuttal Testimony of Rochelle Phipps?

4 A. Yes, I do.

5 Q. And was that testimony also filed in  
6 redacted and unredacted versions?

7 A. Yes, it was.

8 Q. On December 8, 2009?

9 A. Yes.

10 Q. Did you prepare that testimony for  
11 submission in this proceeding?

12 A. Yes, I did.

13 Q. And you also have attachments and schedules  
14 attached to that testimony, correct?

15 A. Yes.

16 Q. Do you have any changes or additions or  
17 corrections to make to ICC Staff Exhibit 19.0R?

18 A. No, I don't.

19 Q. Is the information contained in there true  
20 and correct to the best of your knowledge?

21 A. Yes, it is.

22 Q. And if I were to ask you those questions

1 today, would your answers be the same?

2 A. Yes, they would.

3 MS. VON QUALEN: Your Honor, at this time I  
4 move for admission into evidence ICC Staff Exhibit  
5 5.0R and 19.0R, and I tender the witness for cross  
6 examination.

7 JUDGE YODER: All right. Any objections? We  
8 will address the admissibility of those then after  
9 any cross. It appears that the Ameren Utilities are  
10 the only party to file for cross examination.

11 MR. FLYNN: Yes.

12 JUDGE YODER: Mr. Flynn?

13 CROSS EXAMINATION

14 BY MR. FLYNN:

15 Q. Good morning, Ms. Phipps.

16 A. Good morning.

17 Q. We know each other, right?

18 A. Yes.

19 Q. Why does everyone cringe when I ask them  
20 that?

21 In your direct and rebuttal testimony  
22 in this case you recommend certain adjustments to

1 Illinois Power Company's capital structure used for  
2 ratemaking purposes, is that right?

3 A. Yes, I do.

4 Q. And your recommendations address certain  
5 actions that Illinois Power Company has taken with  
6 respect to its capital structure, is that right?

7 A. Yes.

8 Q. One of the actions had to do with the  
9 issuance of long-term debt in the fall of 2008?

10 A. Yes.

11 Q. And another action was a later equity  
12 infusion into Illinois Power Company?

13 A. Well, my recommendation relates to those  
14 two adjustments. I adjusted the long-term debt  
15 balance by removing \$50 million of long-term debt,  
16 and then six months later there was a \$50 million  
17 equity infusion and I recommended that be removed as  
18 well.

19 Q. The equity infusion was \$58 million, is  
20 that right?

21 A. Yes.

22 Q. Just to be clear. Now, is it your

1 understanding that when the Commission assesses the  
2 reasonableness of the actions regarding the Company's  
3 capital structure, it should do so without exercising  
4 hindsight?

5 A. Yes, I would agree with that.

6 Q. And you did not use hindsight when you  
7 assessed the reasonableness of the Company's actions,  
8 is that right?

9 A. That's correct.

10 Q. You believe that would have been  
11 inappropriate, to exercise hindsight?

12 A. Right. My adjustment is based on the  
13 actions that occurred at the time of that debt  
14 issuance.

15 Q. And you assessed the Company's actions in  
16 light of the circumstances that the Company faced at  
17 the time it made its decisions and took its actions?

18 A. That's right.

19 Q. And that would include the circumstances in  
20 the financial markets in the fall of 2008?

21 A. Well, I am not exactly sure how those  
22 relate to the adjustment. What I looked at for my

1 adjustment is the fact that Illinois Power issued  
2 \$400 million of long-term debt when they only had  
3 \$350 million outstanding under the credit facilities.  
4 And the remainder of that was, based on the  
5 information I reviewed, which is short term debt  
6 balances and cash balances for the Company every day  
7 during that period, the Company did not require the  
8 additional \$50 million of long-term debt.

9 Q. Is it your understanding that the Company  
10 said, correctly or not, that the Company took into  
11 account the circumstances in the financial markets in  
12 October of 2008?

13 A. The Company said that, yes.

14 Q. All right. And what is your understanding  
15 of the circumstances in the financial markets at that  
16 time?

17 A. Well, as it relates to Ameren, when Lehman  
18 Brothers declared bankruptcy, they lost some of the  
19 commitments under their credit facilities.

20 Q. Based on your knowledge of the conditions  
21 at that time, is it your belief that lenders were  
22 lending as usual?

1           A.    No, but that's not really the basis for my  
2 adjustment.

3           Q.    All right.  So your adjustment is made  
4 irrespective of what the financial -- what the  
5 condition -- let me restate that.

6                        So your view is that, irrespective of  
7 the conditions in the market, the Company did not  
8 need \$50 million of the \$400 million that it borrowed  
9 at that time?

10          A.    That is correct.

11          Q.    Do you have your direct testimony with you?

12          A.    Yes.

13          Q.    Can I direct you to page 33?  And just, no  
14 hurry, just let me know when you get there.

15          A.    Okay.

16          Q.    Are you there?

17          A.    Yes.

18          Q.    You have a chart on that page, the March  
19 31, 2009, Capital Structure Proposals for IP, do you  
20 see that?

21          A.    Yes.

22          Q.    Where you compare Staff's proposal and the

1 Company's, is that right?

2 A. Yes.

3 Q. And IP as shown in that chart proposed a  
4 common equity ratio of 44.1 percent?

5 A. Yes.

6 Q. And Staff's proposal is 43.5 percent in  
7 that chart, is that right?

8 A. Yes.

9 Q. In your opinion is 44.1 percent an  
10 excessive common equity ratio?

11 A. I don't have an opinion on that generally.  
12 This chart is to show that there is really -- this  
13 chart basically shows that the common equity infusion  
14 offsets that additional long-term debt that I argue  
15 AmerenIP did not need. So there is not much  
16 difference in my capital structure versus the  
17 Company's. That's what that chart shows. It is not  
18 about what common equity ratio is reasonable.

19 Q. So you don't have an opinion generally as  
20 to what a reasonable common equity ratio would be?

21 A. No. I looked at IP's common equity ratio  
22 just to assess their -- or their debt ratio to just

1 evaluate their capital structure generally to see if  
2 it was reasonable for ratemaking purposes. But I did  
3 not evaluate IP's common equity ratio with respect to  
4 my adjustment to the common equity ratio. I just  
5 wanted to show that they essentially offset each  
6 other, and there is not much of a difference when you  
7 accept both of my adjustments from the Company as far  
8 as a capitalization ratio.

9 Q. Let me direct you back to your  
10 understanding about the financial markets in the fall  
11 of 2008. In light of the circumstances at that time,  
12 did the Staff have any concern regarding the ability  
13 of regulated utilities to obtain capital on  
14 reasonable terms?

15 A. I can't speak for the Staff in that regard.  
16 I know that shortly after the Lehman Brothers'  
17 bankruptcy, within four days I think Ameren issued a  
18 Form AK, stating that the Lehman Brothers' bankruptcy  
19 would not materially affect their liquidity position,  
20 not with regard to that.

21 Q. Now, in assessing the reasonableness of the  
22 Company's long-term debt issuance in the fall of

1 2008 -- by the Company, I mean Illinois Power -- is  
2 it your belief that there is only one reasonable  
3 decision that can be made in any particular  
4 situation?

5 A. In this case with respect to my adjustment,  
6 I looked very specifically at their cash balance. I  
7 looked at AmerenIP's short term debt balance. I  
8 looked at the fact that on the same day that IP was  
9 lending AmerenCIPS \$60 million, they were borrowing  
10 \$60 million from Ameren Corporation and used that as  
11 the rationale for issuing \$400 million of long-term  
12 debt to refund existing short term debt. And the  
13 cash from Ameren Corporation remained in their cash  
14 balance account for the next two days until they  
15 repaid it. Nothing that I have seen suggests that  
16 AmerenIP required \$400 million of long-term debt.

17 MR. FLYNN: That's all the questions I have of  
18 this witness.

19 JUDGE YODER: Ms. Von Qualen, do you have any  
20 redirect?

21 MS. VON QUALEN: Staff has no redirect.

22 JUDGE YODER: Is there any objection then to

1 the admission of Staff Exhibit 5.0R with the  
2 accompanying exhibits and 19.0R with the accompanying  
3 schedules and attachments? Hearing none, those will  
4 be admitted into evidence then in this docket.

5 (Whereupon ICC Staff Exhibit  
6 5.0R and 19.0R were admitted  
7 into evidence.)

8 JUDGE YODER: Thank you, Ms. Phipps.

9 (Witness excused.)

10 JUDGE YODER: I believe Ms. Freetley is the  
11 next Staff witness.

12 MR. OLIVERO: That is correct, Your Honor.

13 JUDGE YODER: Ms. Freetly, were you previously  
14 sworn?

15 MS. FREETLY: I was, yes.

16 JUDGE YODER: Mr. Olivero?

17 MR. OLIVERO: Thank you, Your Honor.

18

19

20

21

22

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

JANICE FREETLY

called as a witness on behalf of Staff of the Illinois Commerce Commission, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. OLIVERO:

Q. Ms. Freetly, would you please state your name for the record.

A. My name is Janice Freetly.

Q. By whom are you employed?

A. The Illinois Commerce Commission.

Q. What is your position with the Illinois Commerce Commission?

A. I am employed as a Senior Financial Analyst in the Finance Department of the Financial Analysis Division.

Q. And, Ms. Freetly, have you prepared written testimony for purposes of this proceeding?

A. Yes.

Q. Do you have before you a document which has been marked for identification as ICC Staff Exhibit 6.0 entitled Direct Testimony of Janice Freetly,

1 consisting of narrative testimony and Schedules 6.1  
2 -- I am sorry, 6.01-G, 6.01, 6.02, 6.03-G and E,  
3 6.04-E and G, 6.05-E and G, 6.06-E and G, 6.07, 6.08,  
4 6.09 CILCO-G, 6.09 CIPS-G, 6.09 IP-G, 6.09 CILCO-E,  
5 6.09 CIPS-E, 6.09 IP-E and 6.10 and 6.11?

6 A. Yes.

7 Q. And are these true and correct copies of  
8 the direct testimony and schedules that you have  
9 prepared for this proceeding?

10 A. Yes.

11 Q. You also have before you a document which  
12 has been marked as ICC Staff Exhibit 20.0 entitled  
13 Rebuttal Testimony of Janice Freetly which consists  
14 of narrative testimony and Schedules 20.01-E, 20.02  
15 and Attachments A, B, B-1 and B-2?

16 A. Yes.

17 Q. Are these true and correct copies of the  
18 rebuttal testimony and the schedules and attachments  
19 that you have prepared for this proceeding?

20 A. Yes.

21 Q. And do you have any corrections today to  
22 make to your prepared direct or rebuttal testimony?

1           A.    No, I do not.

2           Q.    Is the information contained in ICC Staff  
3 Exhibits 6.0 and 20.0 and the accompanying schedules  
4 and attachments true and correct to the best of your  
5 knowledge?

6           A.    Yes.

7           Q.    And if you were asked the same questions  
8 today, would the answers contained in your prepared  
9 testimony be the same?

10          A.    Yes.

11          MR. OLIVERO:  Your Honor, at this time and  
12 subject to cross we would move for admission into  
13 evidence of Ms. Freetly's prepared direct testimony  
14 marked as ICC Staff Exhibit 6.0 and including  
15 schedules, and Ms. Freetly's prepared rebuttal  
16 testimony marked as ICC Staff Exhibit 20.0 including  
17 schedules and attachments, and we would then tender  
18 Ms. Freetly for cross examination.

19          JUDGE YODER:  All right.  We will address the  
20 admissibility after cross.  I believe IIEC had cross  
21 reserved.  Mr. Robertson or Mr. Reddick?

22          MR. E. ROBERTSON:  We waive our cross.

1           JUDGE YODER: I believe the Ameren Utilities  
2 had reserved some cross.

3           MR. FLYNN: Yes, I have a few minutes.

4                           CROSS EXAMINATION

5 BY MR. FLYNN:

6           Q. Good morning, Ms. Freetly.

7           A. Hello.

8           Q. I am not going to ask if you know me. I am  
9 just going to say I am Christopher Flynn. I am going  
10 to ask you some questions on behalf of the Ameren  
11 Illinois Utilities.

12                           Ms. Freetly, in this case you  
13 recommended returns on equity or ROEs for each of the  
14 Ameren Illinois Utilities' electric and gas  
15 operations, is that right?

16           A. Correct.

17           Q. And as I understand it, the ROEs that you  
18 have recommended do not reflect the effect of  
19 uncollectible riders that may be approved by the  
20 Commission for the Ameren Illinois Utilities, is that  
21 right?

22           A. Yes, those were not included in my

1 recommendation which was included in the overall rate  
2 of return the Staff put forward.

3 Q. Right. And in your testimony you do  
4 develop specific adjustments to your recommended ROEs  
5 that you believe the Commission should adopt for the  
6 electric and gas operations in the event that  
7 uncollectible riders are approved, is that right?

8 A. Yes.

9 Q. What is your understanding of what these  
10 uncollectible riders would do?

11 A. Well, the uncollectible riders will allow  
12 the utilities to collect the uncollectibles expense.  
13 It pretty much guarantees that they will collect all  
14 prudent and reasonable uncollectible expense through  
15 the rider.

16 Q. No more, no less, is that right?

17 A. Right.

18 Q. And in your view, as I understand your  
19 testimony, these riders would remove a significant  
20 risk that each of the Ameren Illinois Utilities faces  
21 with respect to its electric and gas operations, is  
22 that right?

1           A.    Yes.  With regard to the uncollectibles it  
2   increases the certainty of expense recovery for the  
3   utilities.

4           Q.    Right.  And the risk is the risk of  
5   under-recovering uncollectible expenses?

6           A.    Right.  It reduces the risk by providing  
7   more certainty of cash flow.

8           Q.    Now, at the time you developed your ROEs  
9   for the Ameren Illinois Utilities' electric and gas  
10  operations, Staff was proposing recovery of  
11  uncollectible expense through base rates, is that  
12  right?

13          A.    Yes.

14          Q.    And it was -- was it Staff witness Ebrey  
15  who was developing the uncollectible expense amount  
16  to be reflected in base rates?

17          A.    Yes.

18          Q.    And the Staff's proposal in your view  
19  carried with it a significant risk of under-recovery  
20  of uncollectible expense, is that right?

21          A.    No.  The recovery in base rates would be  
22  the same as it has been.  The rider allows them to

1 recover the full amount of uncollectibles accounted  
2 for in Account 904.

3 Q. Well, I confess I don't understand. If the  
4 rider eliminates a significant risk, would not that  
5 significant risk be part of the Staff's base rate  
6 proposal?

7 A. No. The base rate proposal allows for  
8 uncollectibles as part of the revenue requirement as  
9 has been collected in the past. And the rider, in  
10 addition to that, allows for the collection of any  
11 difference between what is allowed in the rates and  
12 what the actual uncollectibles for each utility are.

13 Q. All right. Well, right. So that when  
14 uncollectible expense is recovered through base  
15 rates, there is a significant risk that there will be  
16 a difference between what's reflected in the base  
17 rates and what's actually experienced, isn't that  
18 your testimony?

19 A. Well, the same as with, you know, any base  
20 rate recovery, that the actual expenses realized  
21 aren't always exactly the same as what is in the  
22 revenue requirement.

1           Q.   Well, that's right.  Sometimes the expenses  
2   are more and sometimes the expenses are less, is that  
3   right?

4           A.   Right.

5           Q.   So with base rate recovery the Company  
6   could over-recover its uncollectible expenses, is  
7   that right?

8           A.   They could.

9           Q.   But it is your testimony that at least the  
10   Company is far more likely to under-recover than  
11   over-recover uncollectible expense, is that right?

12          A.   Based on the data provided by Ameren, it  
13   was indicated that under-recovery has been  
14   experienced.

15          Q.   And you looked at a ten-year period, 1999  
16   to 2008, is that right?

17          A.   Yes.

18          Q.   And that experience showed that the amount  
19   of uncollectible expense exceeded the amount  
20   reflected in base rates, is that right?  Is that your  
21   understanding really?

22          A.   Yes, based on the data provided by the

1 Company on their estimate of uncollectibles that were  
2 recovered from the base rates versus the Account 904  
3 balances. The Account 904 balances were greater than  
4 the estimate of what was collected through rates.

5 Q. Now, your ROE recommendations, not the  
6 uncollectible adjustments to them, your ROE  
7 recommendations you developed using a group of sample  
8 companies, is that right, a sample group of  
9 companies?

10 A. Yes, correct.

11 Q. Is it your opinion that the companies in  
12 the sample group have a risk of under-recovery of  
13 uncollectible expenses comparable to that of the  
14 Ameren Illinois Utilities without a rider?

15 A. I suppose. I looked into whether any of  
16 the companies had had to have riders, and they did  
17 not. I think one or two may have had something in  
18 one jurisdiction, but presumably they would face the  
19 same risks.

20 Q. You didn't look at their specific under or  
21 over-recovery experience for a ten-year period like  
22 you did with the Ameren Illinois Utilities, did you?

1           A.    No, I did not look at that.

2           Q.    Now, in developing the specific adjustments  
3   to your recommended ROEs to reflect the presence of  
4   an uncollectible rider, you used two different  
5   methods to arrive at that, those adjustments, is that  
6   right?

7           A.    Yes.

8           Q.    One involved using Moody's ratings, is that  
9   right?

10          A.    Yes.

11          Q.    And what you gauged to be the impact on  
12   ratings that the approval of an uncollectibles rider  
13   would effect?

14          A.    Yes.

15          Q.    And the other I think you describe as an  
16   iterative process of reducing the ROE to produce the  
17   same net operating income result as would be  
18   experienced without the rider, is that right?

19          A.    Yes.

20          Q.    And in doing so, you assumed that the rider  
21   would produce additional income to the Company, is  
22   that right?

1           A.    Right, based on the incremental difference  
2    between the Account 904 balances and the Companies'  
3    estimate of the uncollectible recovery through base  
4    rates.

5           Q.    All right.  So let me ask you this.  Well,  
6    I won't ask you that.

7                        Would you look at your rebuttal  
8    testimony?  Do you have that with you?

9           A.    Yes.

10          Q.    On page 20 then, if you could just let me  
11   know when you get there?

12          A.    I am there.

13          Q.    All right.  You have two charts, one for  
14   electric and one for gas, showing the effect or the  
15   results of each of your two methods, is that right?

16          A.    Yes.

17          Q.    And for each method you show the basis  
18   point adjustment downward in each instance, right?

19          A.    Yes.

20          Q.    The basis point adjustment that would be  
21   indicated by each of your methods to your recommended  
22   ROE, is that right?

1           A.    Yes.

2           Q.    And then you use a simple average of these  
3 two results?

4           A.    Yes.

5           Q.    All right.  You don't weight them in any  
6 way, do you?

7           A.    No, I take the midpoint of the two.

8           Q.    So it is your view then that each one of  
9 these methods is as likely to accurately reflect the  
10 needed adjustment as the other?

11          A.    Yes, they are both my estimates of the  
12 downward adjustments to the required cost of equity  
13 that's necessary to reflect the reduced risk.

14          Q.    Would you look at Table 3?

15          A.    Uh-huh.

16          Q.    All right.  For CIPS Gas there?

17          A.    Yes.

18          Q.    The applied Moody's ratings adjustment is  
19 ten basis points, is that right?

20          A.    For CIPS Gas?

21          Q.    Yes.

22          A.    Yes.

1 Q. And 149 basis points for the operating  
2 income adjustment, is that right?

3 A. That is correct.

4 Q. So it's as likely that the adjustment  
5 needed is ten basis points as it is 149?

6 A. Well, the ten basis points represent the  
7 floor. The debt is less exposed to the revenue  
8 variability since equity partially shields debt from  
9 that variability. So it is obviously much lower than  
10 the equity-based adjustment.

11 Q. Well, you are averaging two numbers, one of  
12 which is 15 times greater than the other, is that  
13 right?

14 A. Uh-huh.

15 Q. And for CILCO Gas one number is over ten  
16 times greater than the other, is that right?

17 A. Yes, it's a big range.

18 Q. And for IP Gas it is about seven times  
19 greater?

20 A. Yes.

21 Q. While you have your -- if you could keep  
22 that page open and also turn to, if that's physically

1 possible, to page 1 of your rebuttal testimony.

2 A. Page 1 of rebuttal?

3 Q. Well, I just wanted to refer you just for a  
4 moment to your common equity recommendations for the  
5 gas operations which appear at the bottom of page 1.  
6 Do you see those?

7 A. Yes.

8 Q. And you have 9.64 percent for CILCO Gas and  
9 9.64 percent for IP, is that right?

10 A. Yes.

11 Q. And, again, you developed these by using a  
12 sample group, is that correct?

13 A. Yes.

14 Q. All right. And then you adjusted the  
15 specific ROE -- or the ROEs for specific Ameren  
16 Illinois utilities by assessing, I will say this  
17 inartfully, their risk relative to the group, is that  
18 right?

19 A. Yes.

20 Q. And you used certain metrics to do that?

21 A. Yes.

22 Q. And CILCO and IP came out the same, is that

1 right?

2 A. Yes, I believe their implied level of  
3 financial risk was the same, yes.

4 Q. Right, their implied level of risk was the  
5 same?

6 A. Uh-huh.

7 Q. Yet if you turn back to page 20 of your  
8 testimony, of your rebuttal testimony, pardon me, you  
9 are recommending a downward adjustment to CILCO that  
10 is 27 basis points higher or greater, rather, than  
11 the downward adjustment to the gas ROE of Illinois  
12 Power, is that right?

13 A. Yes.

14 Q. And that's because, as you have calculated  
15 it, they face different levels of risk for  
16 under-recovery of uncollectible expenses, is that  
17 right?

18 A. Yes, due to the difference in the  
19 uncollectible amounts.

20 Q. The uncollectible amounts experienced over  
21 that ten-year period, 1999 to 2008?

22 A. Right, the amounts I used to determine the

1 operating income adjustment.

2 Q. All right. So it would appear that CILCO  
3 faces a greater risk in the absence of a rider than  
4 IP does, is that correct, by 27 basis points?

5 A. Could you repeat your question?

6 Q. As you have calculated it, CILCO faces a  
7 risk related to uncollectible expense that is 27  
8 basis points greater than the risk faced by IP, is  
9 that right?

10 A. The risk to CILCO -- my adjustment  
11 indicates that the risk to CILCO would be reduced by  
12 a greater amount with the adoption of the Rider GUA.

13 Q. Meaning that there is a greater risk to  
14 reduce, is that right?

15 A. Well, the adjustment is higher.

16 Q. Is the risk higher that CILCO faces?

17 A. Well, the adjustment indicates that the  
18 reduction in risk would be higher, so I -- based on  
19 that adjustment, based on the uncollectible data  
20 provided by the Company, it indicates that they do  
21 face more uncollectible risk.

22 Q. And to be clear, based on metrics that you

1 chose as you applied them, both CILCO and IP have  
2 identical implied financial risk relative to the  
3 sample group, is that right?

4 A. Yes. Relative to the group, they have the  
5 same indicated level of financial risk.

6 Q. And you recommended the same return on  
7 equity for the CILCO and IP gas operations without an  
8 uncollectible amount, is that right?

9 A. That's correct.

10 MR. FLYNN: That's all the questions I have.

11 Thank you.

12 JUDGE YODER: I have one.

13 EXAMINATION

14 BY JUDGE YODER:

15 Q. On page 16 of your rebuttal, just to make  
16 sure I am reading this right, at about line 300 you  
17 indicate the return on common equity would be reduced  
18 by a 50 basis points spread between credit ratings of  
19 Baal and A3 for CILCO, is that correct?

20 A. Yes.

21 Q. And then going back to your Tables 3 and 4  
22 on page 20, for CILCO Gas you have 15, CILCO Electric

1 50. The 50 I think is referenced there. Did I  
2 misread that or should the CILCO Gas be 50?

3 A. Well, the ratings you are referring to on  
4 page 16 are electric. So those are reflected in  
5 Table 4.

6 Q. Okay. So I am looking in the wrong --

7 A. Right. So that on page 15, it is referring  
8 to 15 basis point for CILCO Electric, which is shown  
9 on Table 4.

10 JUDGE YODER: All right. Do you need to speak  
11 to Ms. Freetly?

12 MR. OLIVERO: No, Your Honor.

13 JUDGE YODER: Any objection to the admission of  
14 Ms. Freetly's direct and rebuttal?

15 MR. FLYNN: No objection, Your Honor.

16 JUDGE YODER: They will be admitted into  
17 evidence then in this docket.

18 (Whereupon ICC Staff Exhibits  
19 6.0 and 20.0 were admitted into  
20 evidence.)

21 (Witness excused.)

22 JUDGE YODER: And I believe the next is

1 Mr. Stafford. I will send Judge Albers an e-mail.

2 (Whereupon the hearing was in a  
3 short recess.)

4 JUDGE YODER: Mr. Stafford, were you previously  
5 sworn?

6 MR. STAFFORD: Yes, I was.

7 RONALD STAFFORD

8 called as a witness on behalf of the Ameren Illinois  
9 Utilities, having been first duly sworn, was examined  
10 and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. WHITT:

13 Q. Mr. Stafford, could you introduce yourself  
14 to the Commission, please?

15 A. Yes, my name is Ronald Stafford, Managing  
16 Supervisor of Regulatory Accounting for the Ameren  
17 Illinois Utilities. My business address is 1901  
18 Chouteau Avenue, St. Louis, Missouri.

19 Q. And, Mr. Stafford, have you prepared  
20 testimony in this proceeding?

21 A. Yes, I have.

22 Q. Let me refer you to Ameren Exhibit 2.0-E

1 and 2.0-G. Is this your direct, revised direct  
2 testimony, in this proceeding?

3 A. Yes, it is.

4 Q. Including Exhibits 2.1 Revised, 2.2, 2.3  
5 Revised, 2.4, 2.5 and 2.6 Revised?

6 A. Yes.

7 Q. Mr. Stafford, have you also adopted the  
8 direct testimony of Andrew Wichmann in this  
9 proceeding?

10 A. Yes, I have.

11 Q. And that testimony would be marked as  
12 Ameren Exhibit 3.0-E and 3.0-G with Exhibits 3.1, 3.2  
13 and 3.3?

14 A. Yes. The 3.0 is revised, also.

15 MR. WHITT: Thank you. Your Honor, if I may,  
16 given the number of exhibits that I am going to go  
17 through with Mr. Stafford, I think in an attempt to  
18 expedite the process I am going to move for the  
19 admission of the exhibits I just identified as we go  
20 through each stage of the testimony, so we don't have  
21 to read through a whole laundry list at the end to  
22 make it easier on the parties.

1 JUDGE YODER: Okay.

2 MR. WHITT: So on direct Ameren would move for  
3 the admission of Revised Exhibits 2.0-E and 2.0-G  
4 including Exhibits 2.1 Revised, 2.2, 2.3 Revised,  
5 2.4, 2.5, and 2.6 Revised, as well as Revised Exhibit  
6 3.0-E and 3.0-G with Exhibits 3.1, 3.2 and 3.3.

7 Q. And I suppose before there is a formal  
8 ruling on whether those will be admitted, I need to  
9 ask the witness, are the answers in the exhibits that  
10 we have just identified true and correct to the best  
11 of your knowledge?

12 A. Yes, they are.

13 Q. And do you have any additions or  
14 corrections to make to the testimony we have  
15 identified so far?

16 A. No, I do not.

17 Q. If I were to ask you the same questions  
18 that appear in those exhibits today, would your  
19 answers be the same?

20 A. Yes.

21 JUDGE YODER: Did you say 2.4 or 2.5?

22 MR. WHITT: Yes.

1           JUDGE YODER:  Because they were not on the  
2 exhibit list.  Were they filed on August 5?

3           MR. WHITT:  Yes, Your Honor, I think the  
4 confusion is that certain of the exhibits were  
5 revised on direct and others weren't.

6           JUDGE YODER:  Well, we will try to address the  
7 admissibility of these at the end then.  All right.

8           BY MR. WHITT:

9           Q.  Mr. Stafford, have you also prepared for  
10 this proceeding supplemental direct testimony  
11 identified as Ameren Exhibit 25.0 with Exhibits 25.1  
12 through 25.4?

13          A.  Yes, I have.

14          Q.  Are the answers in your supplemental direct  
15 testimony true and correct to the best of your  
16 knowledge?

17          A.  Yes.

18          Q.  Do you have any additions or corrections to  
19 make to your supplemental direct testimony?

20          A.  No, I do not.

21          Q.  If I were to ask you the questions in your  
22 supplemental direct today, would your answers be the

1 same?

2 A. Yes.

3 MR. WHITT: Your Honor, at this time we would  
4 move for the admission of Ameren Exhibit 25.0 with  
5 attached Exhibits 25.1 through 25.4.

6 JUDGE YODER: All right. We will take up the  
7 admissibility then at the end of cross.

8 BY MR. WHITT:

9 Q. Mr. Stafford, have you also prepared  
10 revised rebuttal testimony identified as Ameren  
11 Exhibit 29.0 with Exhibits 29.1 through 29.19 with  
12 Attachment A Revised and Attachment B?

13 A. Yes, I have.

14 Q. Do you have any additions or corrections to  
15 make to that testimony?

16 A. No, I do not.

17 Q. Are the answers true and correct to the  
18 best of your knowledge and belief?

19 A. Yes.

20 Q. If I were to ask you the same questions in  
21 your revised rebuttal today, would your answers be  
22 the same?

1           A.    Yes.

2           Q.    Have you also adopted in this proceeding  
3   the rebuttal testimony of Andrew Wichmann marked as  
4   Ameren Exhibit 30 with Exhibits 30.1 through 30.8  
5   attached?

6           A.    That is correct.

7           Q.    Are the answers true and correct to the  
8   best of your knowledge?

9           A.    Yes.

10          Q.    Do you have any additions or corrections to  
11   make to that testimony?

12          A.    No, I do not.

13          Q.    If I were to ask you the same questions  
14   that appear in that testimony today, would your  
15   answers be the same?

16          A.    Yes.

17          MR. WHITT:  At this time, Your Honor, Ameren  
18   would move for the admission of Ameren Exhibit 29,  
19   inclusive of attached Exhibits 29.1 through 29.19,  
20   Revised Attachment A and Attachment B, and the Ameren  
21   Exhibit 30 with attached Exhibits 30.1 through 30.8.

22          JUDGE YODER:  I will address the admissibility

1 of those after cross.

2 BY MR. WHITT:

3 Q. Mr. Stafford, have you also prepared in  
4 this proceeding the second revised surrebuttal  
5 testimony identified as Ameren Exhibit 51.0?

6 A. Yes.

7 Q. And does your testimony include Exhibits  
8 51.1 through 51.6 Revised, 51.7 Second Revised, 51.8  
9 through 51.15 and 51.17 and 51.16 Confidential?

10 A. Yes.

11 Q. Do you have any additions or corrections to  
12 your second revised surrebuttal testimony?

13 A. No, I do not.

14 MS. VON QUALEN: I believe you included an  
15 Attachment 51.14 on your list of exhibits to be  
16 admitted.

17 MR. WHITT: If I did that, I stand corrected.  
18 We would not move for admission of that exhibit.

19 JUDGE YODER: That was 51.13?

20 MR. WHITT: 14.

21 MS. VON QUALEN: You may have intended to  
22 include 51.16 instead of 51.14.

1 MR. WHITT: Yeah.

2 JUDGE YODER: I have 51.16 is confidential.

3 MS. VON QUALEN: Okay.

4 BY MR. WHITT: Yes.

5 Q. If I were to ask you the questions in your  
6 second revised surrebuttal testimony today, would  
7 your answers be the same?

8 A. Yes.

9 MR. WHITT: At this time, Your Honor, we would  
10 move for the admission of Ameren Exhibit 51.0 and  
11 Exhibits 51.1 through 51.6 Revised, 51.7 Second  
12 Revised, 51.8 through 51.15 excluding 51.14, 51.17  
13 and 51.16 Confidential.

14 JUDGE YODER: Okay. We will attempt to address  
15 the admissibility of those exhibits after any cross.

16 Do you tender Mr. Stafford?

17 MR. WHITT: We do, Your Honor.

18 JUDGE YODER: I believe --

19 BY MR. WHITT:

20 Q. Your Honor, if I may, Mr. Stafford, did I  
21 ask you if you have corrections?

22 A. I do have a couple corrections.

1 Q. On?

2 A. 51.7 Second Revised. On Ameren Exhibit  
3 51.7, Second Revised, Schedule 1, CILCO-E, page 1 of  
4 2.

5 MR. REDDICK: I am sorry, could you do that  
6 again?

7 A. Ameren Exhibit 51.7 Second Revised,  
8 Schedule 1, CILCO-E, page 1 of 2, line 14 should read  
9 "line 5 plus line 8." And the total on line 14  
10 should be -38, 38 in brackets.

11 Then a second correction.

12 JUDGE ALBERS: Holdup, please.

13 MR. STAFFORD: I am sorry.

14 JUDGE ALBERS: What was that first one again,  
15 please?

16 A. The Schedule 1 CILCO-E, line 14, the Source  
17 column C for line 14 should read "line 5 plus line  
18 8." And the amount should be, instead of bracketed  
19 30, the amount should be bracketed 38 in that line.

20 The next correction is two pages  
21 later. It is Schedule 2 CIPS-E of Ameren Exhibit  
22 51.7 Second Revised. Same change, line 14, Source

1 column C, the reference should be "line 5 plus line  
2 8." And the amount, instead of being bracketed 68,  
3 the amount should be a bracketed 82.

4 And I have one additional correction  
5 on that same exhibit. Schedule 2 IP-E, page 1 of 2,  
6 and Source column C, line 14 reference again should  
7 be "line 5 plus line 8." And the amount instead of  
8 being the bracketed 79, the amount should be a  
9 bracketed 98.

10 And that's the extent of my  
11 corrections.

12 Q. Mr. Stafford, subject to the corrections  
13 that you have just identified, if I were to ask you  
14 the same questions that appear in your second revised  
15 surrebuttal testimony today, would your answers be  
16 the same?

17 A. Yes.

18 MR. WHITT: The witness is available for cross.

19 JUDGE YODER: I have Staff, CUB and AG and IIEC  
20 have reserved cross. Anyone wishing to go first?

21 MS. VON QUALEN: Mine is significantly shorter  
22 and very easy. I would be happy to go first.

1 JUDGE YODER: All right, Ms. Von Qualen.

2 CROSS EXAMINATION

3 BY MS. VON QUALEN:

4 Q. Good morning, Mr. Stafford.

5 A. Good morning.

6 Q. I am Jan Von Qualen and I represent the  
7 Staff witnesses. I have a few questions for you.

8 The first question I have is going to  
9 go to those corrections that you just made to 51.7  
10 Second Revised. You indicated that line 14 would  
11 change on each of those three different schedules.  
12 Would you also agree with me that line 16 would  
13 change?

14 A. Yes, I agree.

15 Q. Now I am going to turn your attention -- I  
16 just wanted to get that cleared up.

17 I am going to turn your attention to  
18 your discussion of work force reduction. And, first,  
19 I am going to direct your attention to your response  
20 to TEE 20.08. Do you have that with you today? I  
21 brought a copy which I am happy to give to counsel  
22 and the ALJs. This document is going to be part of a

1 stipulation that Ameren and Staff have agreed to as  
2 far as stipulated DR responses. I don't intend to  
3 mark it for identification or move it into evidence,  
4 but it just might be helpful for you to have it in  
5 front of you.

6 A. I have that.

7 Q. Now, referring to your narrative response  
8 to Staff Data Request TEE 20.08, do you see that you  
9 provided a table for payroll tax factors that you  
10 used in your work force reduction adjustment?

11 A. Yes.

12 Q. Would you agree that the FICA, that's FICA,  
13 tax should be included within the payroll tax  
14 factors?

15 A. Yes. In fact, it is included in the  
16 response here.

17 Q. And would you agree that the statutory FICA  
18 tax rate is 7.65 percent on the first \$106,800 of  
19 salary?

20 A. I would agree subject to check on the  
21 106,800.

22 Q. And would you also agree that it would be

1 1.45 percent on any amount over that?

2 A. Yes.

3 Q. And would you also agree that the Ameren  
4 FUTA would be included within the payroll tax  
5 factors?

6 A. Yes, it is included on that response.

7 Q. Would you agree that the FUTA rate is .8  
8 percent on the first \$7,000 of wages per employee?

9 A. I would agree subject to check, yes.

10 Q. Do you agree that the Ameren SUTA rate  
11 would be included within the payroll tax factors?

12 A. Yes.

13 Q. And would you agree that the rate for SUTA  
14 is a minimum of .6 percent on the first \$12,300 of  
15 wages per employee?

16 A. I would agree subject to check.

17 Q. Now, are the rates that we have just  
18 discussed for FICA, FUTA and SUTA the same for all of  
19 the utilities?

20 A. I believe they are. I am not absolutely  
21 sure.

22 Q. The rate wouldn't change whether it was IP,

1 CILCO or CIPS, would it?

2 A. Not to my knowledge.

3 Q. Are there any other taxes besides those  
4 three that I just mentioned that would be included  
5 within the calculation of the payroll tax expense?

6 A. No.

7 Q. Now, again drawing your attention to your  
8 response to TEE 20.08, would you agree with me that  
9 you have provided a different factor for each of the  
10 operating companies?

11 A. Yes, I did. I based that on the  
12 information from the test year used to perform the  
13 calculation.

14 Q. For example, CILCO has a factor of 4.19  
15 percent; CILCO Electric has a factor of 4.19 percent;  
16 and CILCO Gas has a factor of 4.66 percent?

17 A. That's correct.

18 Q. And you have also provided a different  
19 factor for each operating company for each type of  
20 payroll tax, have you not?

21 A. That's correct.

22 Q. Again by way of example, the FICA factor

1 ranges from 3.75 percent for CILCO Gas to 4.16  
2 percent for IP Gas?

3 A. Yes.

4 Q. Would you agree that the reason that the  
5 factors that you provide here are different for the  
6 operating companies and for the various taxes is  
7 because they are based on a calculation, not on the  
8 actual rate times the wage base?

9 A. I would agree they are based on  
10 calculation. If I recall correctly, I looked at  
11 total labor plus incentive comp, and I looked at  
12 total payroll taxes expensed to do the calculations.  
13 I believe one reason why this ratio would be lower  
14 was that I was using payroll taxes expense rather  
15 than total payroll expenses for the calculation.

16 Q. Now, referring to the final paragraph of  
17 your narrative response, you discuss a correction to  
18 the payroll tax adjustment related to the work force  
19 reduction, right? The paragraph that starts "In  
20 preparing this response."

21 A. Yes.

22 Q. Have you provided any revised schedules to

1 reflect that adjustment on a utility by utility  
2 basis?

3 A. If you are referring -- you are referring  
4 to the last paragraph of the response?

5 Q. Yes.

6 A. The calculation I refer to there is  
7 performed on Exhibit 51.9.

8 Q. So are you saying that you have provided a  
9 corrected 51.9?

10 A. Not with regard to the discussion we just  
11 had. The calculation I am referring to is with  
12 regard to the payroll taxes on the DR response.

13 Q. Okay. So would you agree that if your  
14 adjustment was adopted by the Commission, the amount  
15 for payroll taxes would need to be revised from what  
16 it is on 51.9?

17 A. I would agree that a revision could be  
18 made, given the discussion we have had, yes.

19 Q. Now, you also calculated a component for  
20 payroll taxes in your adjustment for incentive  
21 compensation on Exhibit 51.7, is that correct?

22 A. Yes.

1 Q. Did you use the same methodology for your  
2 payroll tax adjustment for incentive compensation as  
3 for the payroll tax component of the work force  
4 reduction adjustment?

5 A. No, I did not.

6 Q. Thank you, Mr. Stafford. Now I would like  
7 to turn your attention to your discussion of pension  
8 and OPEB, that's O-P-E-B, costs and specifically to  
9 page 9 of your surrebuttal testimony.

10 A. I have that.

11 Q. All right. Looking at lines 220 to 222, in  
12 your opinion Ms. Ebrey's position with regards to  
13 pension and post-employment benefits or OPEB costs is  
14 inconsistent with her treatment of uncollectibles  
15 expense?

16 A. Yes.

17 Q. Do you agree that Ms. Ebrey has in fact  
18 accepted your proposal for determination of  
19 uncollectibles expense based on the average of 2007,  
20 2008 and year to date through September 2009?

21 A. Yes, I agree.

22 Q. Now I would like to turn your attention to

1 Exhibit 29.4 attached to your rebuttal testimony, and  
2 I am looking at page 2 for any of these. Would you  
3 agree that in your proposal you compare net  
4 write-offs with actual revenues for the period  
5 January 2007 through September 2009 to derive an  
6 average uncollectibles percentage?

7 A. Yes, I agree.

8 Q. Would you agree that those percentages are  
9 also reflected in your gross revenues to divergent  
10 tax schedules for each utility? I have the  
11 surrebuttal cite, 51.1 through 51.6, Exhibit 4.

12 A. I would agree.

13 Q. Would you agree that those percentages are  
14 used to determine the amount of uncollectibles  
15 associated with the amount of revenue included in the  
16 revenue requirement?

17 A. Yes.

18 Q. And would you agree that using an average  
19 over a period of time in calculating an amount is  
20 usually referred to as normalizing the amount  
21 included in revenue requirement?

22 A. Using an average over a period of time can

1 be referred to as normalization. It isn't always  
2 referred to as that, but it can be, yes.

3 Q. Thank you. Now I am going to turn your  
4 attention to the electric distribution tax. And I  
5 would like to refer you to IIEC Exhibit 5.3, and I  
6 brought copies with me in case you don't have that  
7 with you.

8 A. I don't have that.

9 Q. Would you agree that the schedules set  
10 forth the electricity distribution tax paid each year  
11 for CILCO, CIPS and IP?

12 MR. WHITT: Your Honor, I am going to object to  
13 the question based on an IIEC exhibit. I don't  
14 believe there has been a foundation laid for any of  
15 this.

16 MS. VON QUALEN: I can ask him a few more  
17 questions about it.

18 JUDGE YODER: Very well.

19 BY MS. VON QUALEN:

20 Q. Mr. Stafford, do you recognize this as a  
21 response that Ameren provided in response to an IIEC  
22 data request?

1           A.    It looks to be consistent with the response  
2   to Data Request IIEC 6.01 sponsored by Joseph Meyer  
3   and Leonard Jones.

4           Q.    Do you have some familiarity with the  
5   electric distribution tax?

6           A.    Yes, I have some familiarity.

7           Q.    Would you agree with me that the schedules  
8   on IIEC Exhibit 5.3 set forth the electricity  
9   distribution tax paid for CILCO, CIPS and IP?

10          MR. WHITT:   Your Honor, I will object again.  
11   The fact that the witness may have some familiarity  
12   with the electric distribution tax generally doesn't  
13   establish that he has any familiarity with the  
14   preparation of this specific exhibit.

15          MS. VON QUALEN:   Your Honors, that's why I  
16   asked him the question.   If he doesn't agree, he can  
17   simply say he doesn't agree.

18          JUDGE YODER:   Overruled.   The witness can  
19   answer it.   May answer it, if he can.

20          MR. STAFFORD:   Could you repeat the question,  
21   please?

22

1 BY MS. VON QUALEN:

2 Q. Would you agree that the schedules set  
3 forth the electricity distribution tax paid each year  
4 for CILCO, CIPS and IP?

5 A. I am familiar with the 2008 year. I have  
6 looked at that before. I understand the schedule  
7 identifies some information from prior years. I  
8 don't have direct familiarity with that prior  
9 information.

10 Q. Well, I just have a couple of elementary  
11 questions. We will see if you can answer them or  
12 not.

13 Would you agree that the amounts of  
14 the electric distribution tax varies from year to  
15 year?

16 A. Are you referring to the first line tax  
17 paid or are you referring to the total?

18 Q. Either one.

19 A. Well, the amounts are not identical from  
20 year to year. There is some variability, yes.

21 Q. And as far as the total amounts go, do you  
22 agree that they are what they are stated in this

1 51.3?

2 MR. WHITT: I will object. The witness has  
3 testified that he has familiarity with the test year  
4 amounts but not with other periods.

5 JUDGE YODER: Objection is sustained.

6 Q. Do you happen to have the Part 285 filing  
7 with you today, Mr. Stafford?

8 A. No, I do not.

9 MS. VON QUALEN: May I approach the witness?

10 JUDGE YODER: Yes.

11 Q. I am handing you what I have marked as  
12 Stafford Cross Exhibit Number 1.

13 (Whereupon Stafford Cross  
14 Exhibit 1 was presented for  
15 purposes of identification as of  
16 this date.)

17 This is Schedule C-18 from the Companies'  
18 Part 285 filing, would you agree with that?

19 A. I would agree.

20 Q. And if you look at Schedule C-18, do you  
21 see the amounts listed for the electric distribution  
22 tax?

1           A.    Yes.

2           Q.    Would you agree that the amounts shown for  
3   2008 for IIEC Exhibit 53.1 are different from the  
4   amounts shown on this Schedule C-18?

5           A.    Yes, I would agree.

6           Q.    And would you agree that for the test year  
7   you are proposing, and this is based on your Schedule  
8   51.13, you are proposing 5,139,000 for CILCO,  
9   15,451,000 for CIPS and 22,372,000 for IP?

10          A.    Could you repeat those again, please?

11          Q.    Certainly.  5,139,000 for CILCO, 15,451,000  
12   for CIPS and 22,372,000 for IP?

13          A.    Yes.

14          Q.    Okay.  And would you agree that this has  
15   changed from the amounts that are shown on Schedule  
16   C-18?

17          A.    Yes, I would agree.  I have indicated in  
18   testimony that I performed a calculation of the tax  
19   based upon what are normalized billing units and then  
20   also considered credits and refunds in my calculation  
21   in surrebuttal.

22          Q.    Okay.  And would you agree that in the

1 Schedule C-18 CILCO was shown as 5,042,000?

2 A. Yes. There is a slight difference there.  
3 As I indicated in testimony, that's primarily due to  
4 prior period adjustments in 2008 for all three  
5 utilities.

6 Q. And CIPS was shown as 14,022,000?

7 A. Yes.

8 Q. And, finally, that IP was shown as  
9 21,889,000?

10 A. Yes.

11 MS. VON QUALEN: That completes my cross  
12 examination. I don't know if I need to move this  
13 exhibit into evidence as it is part of the 285  
14 filing. I don't believe we have spoken about that  
15 earlier, as to whether the Part 285 filing is  
16 considered part of the record.

17 MR. WHITT: Your Honor, we would have no  
18 objection to the admission of Stafford Cross Exhibit  
19 1. I don't believe that the 285 filing is part of  
20 the evidentiary record, although it is part of the  
21 Commission's official record. But I think for the  
22 record of this proceeding to be clear, the easiest

1 way is just to admit the document.

2 JUDGE YODER: Okay. Stafford Cross Exhibit 1  
3 is admitted.

4 (Whereupon Stafford Cross  
5 Exhibit 1 was admitted into  
6 evidence.)

7 JUDGE YODER: And you indicated you were done?

8 MS. VON QUALEN: Yes, thank you, Your Honor.

9 JUDGE YODER: Has the AG any, Mr. Borovik?

10 MR. REDDICK: Before Mr. Borovik starts, I  
11 wonder if Ms. Von Qualen would tell me again what the  
12 cross exhibit was.

13 MS. VON QUALEN: Stafford Cross Exhibit 1 is  
14 Schedule C-18 of the Companies' Part 285 filing for  
15 the electric utilities only.

16 MR. REDDICK: Thank you.

17 CROSS EXAMINATION

18 BY MR. BOROVIK:

19 Q. Good afternoon -- or good morning,  
20 Mr. Stafford.

21 A. Good morning.

22 Q. My name is Mike Borovik and I will be

1 representing the People of the State of Illinois,  
2 asking you a few questions today. For the most part  
3 I will be talking about your surrebuttal second  
4 revised.

5                   Could you agree, Mr. Stafford, that  
6 plant additions through February 2010 still include  
7 forecasts of 2009 and for the first few months of  
8 2010?

9           A. Are you referring to the plant addition pro  
10 forma adjustment?

11          Q. Right.

12          A. The pro forma adjustment includes the  
13 original company-requested level of additions based  
14 on a forecast. It also includes actual storm,  
15 capitalized storm costs. It's a combination of  
16 actual and forecasted information.

17          Q. So the question is, does it include  
18 estimates of 2009 or 2010; that answer is yes?

19          A. Yes.

20          Q. Do you have with you data request, I  
21 believe, AG 1.06?

22          A. Did I sponsor that?

1 Q. Actually, Mr. Getz sponsored that.

2 A. I don't have that with me.

3 MR. BOROVNIK: Your Honor, may I approach the  
4 witness?

5 MR. WHITT: We don't have copies, Your Honor.

6 Q. I apologize. Does the heading of that data  
7 request response state in part Capital Additions,  
8 Mr. Stafford?

9 A. Yes.

10 Q. And generally there is a column that lists  
11 the Ameren utilities, a column of the months, a  
12 column of actuals and a column of budgeted, is that  
13 generally correct?

14 A. Yes.

15 Q. And would you say that except for May 2009  
16 for AmerenCIPS that actuals were above budgeted?

17 A. Could you define what you mean by off of  
18 budget?

19 Q. If you look at the column that has actual  
20 amounts and you look at the column that has budgeted  
21 amounts, that for almost every month, with the  
22 exception of AmerenCIPS in May, that the actual

1 amount is above the budgeted amount?

2 A. Well, I can say that there is certain  
3 months they are above budget, certain months they are  
4 below budget. They are not identical for a given  
5 month.

6 Q. Okay. Can you tell me for which ones then  
7 that the budgeted were above the actual besides the  
8 May AmerenCIPS month?

9 A. Well, for May, the actual is above budget  
10 by over 17 million. So it is not actually an example  
11 of budget being above actual.

12 Q. And what month would have caused that? Is  
13 there one particular month that caused that?

14 A. Repeat the question, please.

15 Q. With the exception of that one month  
16 because of -- strike that.

17 Generally, if you look at the columns,  
18 would you say that the actuals exceeded the budgeted?  
19 Would that be yes or no?

20 A. Generally, the actuals trailed the budget  
21 rather than exceed the budget.

22 Q. They trailed it or exceeded?

1           A.    They trailed the budget on the schedule.  
2    This is information for January through September.  
3    Of course, it does not include a full year 2009.  So  
4    while there is some months the actuals exceed budget,  
5    there are other months the actuals are below budget.  
6    I am looking at the totals.  And the totals for the  
7    first nine months trail the budget on this schedule.

8           Q.    Okay, thanks.

9           MR. WHITT:  Do you need this back?

10          MR. BOROVNIK:  Yeah.

11          Q.    Okay.  Referring to your surrebuttal,  
12    particularly lines 442 through 448, Mr. Stafford, you  
13    propose adjustments to rate base for plant additions  
14    relative to the amounts of the adjustment for  
15    depreciation reserve proposed by AG, CUB and IIEC, is  
16    that correct?

17          A.    Yes.

18          Q.    And the Companies are now proposing, the  
19    Ameren Company, is now proposing adjustments to plant  
20    through February 2010, and these plant additions  
21    total approximately 249 million?

22          A.    Yes.

1 Q. And, Mr. Stafford, you have compared this  
2 to the adjustment of depreciation reserve of 198  
3 million proposed by Mr. Effron in his testimony?

4 A. That is correct.

5 Q. And would you say it is true, Mr. Stafford,  
6 that the adjustments to depreciation in Mr. Effron's  
7 testimony recognized growth you'll make in 2010?

8 A. His adjustments reflect changes to the  
9 reserve through May 2010.

10 Q. And, Mr. Stafford, is it correct that  
11 Ameren is now proposing to recognize plant additions  
12 through February 2010?

13 A. That is correct. As I have indicated in  
14 testimony, not all the plant additions that will be  
15 incurred through February 2010 are included in the  
16 proposal.

17 Q. And, Mr. Stafford, you stated earlier in  
18 testimony that that would mean that the relevant  
19 period for measuring growth and depreciation reserve  
20 in Mr. Effron's adjustment would be through February  
21 2010? This is line 389 through 390.

22 A. With regard to Mr. Effron's proposal, the

1 relevant period from his position would be February,  
2 instead of May, yes.

3 Q. Now, if it is all right, Mr. Stafford, I  
4 would like to refer you to a response -- it was  
5 AIU-DJ 1.16. It is a data request response. Do you  
6 have that?

7 A. I have that, yes.

8 Q. And does the response show Mr. Effron's  
9 recalculation of this proposed adjustment to the  
10 depreciation reserve based on Staff's rebuttal  
11 proposal to recognize pro forma plant additions  
12 through February 2010?

13 A. Mr. Effron's calculation reflects  
14 adjustments to February 2010.

15 Q. And, Mr. Stafford, is the total of the  
16 adjustment to the depreciation reserve on page 1 of  
17 his response approximately 169 million? And you can  
18 accept that subject to check.

19 A. I would accept it subject to check.

20 Q. So that would you agree, Mr. Stafford, the  
21 net effect of the plant addition proposed by Ameren,  
22 249 million, and the adjustments to depreciation

1 reserve proposed by Mr. Effron in this document is an  
2 increase to rate base of 80 million, subject to  
3 check?

4 A. Well, the proposed 249 million for Ameren  
5 already includes adjustments to the depreciation  
6 reserve and it reflects a net plant value of 249  
7 million. To the extent that an additional layer of  
8 depreciation reserve adjustments is built on top of  
9 that based on Mr. Effron's proposal, I would agree  
10 with your numbers, subject to check.

11 Q. Mr. Stafford, is it your contention then  
12 that allowing a pro forma adjustment for growth in  
13 net plant subsequent to the 2008 test year, 80  
14 million, somehow penalizes the Ameren companies?

15 A. It penalizes the Ameren utilities because  
16 it is --

17 Q. I am sorry, I asked not how but I asked if  
18 it does.

19 A. The adjustment of 80 million rather than  
20 249 million would penalize the Ameren utilities, yes.

21 MR. BOROVIK: Thank you, Mr. Stafford. I have  
22 no further questions. I would like to admit Cross

1 Exhibit AG 1.06, the DR sponsored by Mr. Stafford.

2 JUDGE YODER: By Mr. Getz?

3 MR. BOROVIK: No, no, Mr. Stafford -- I'm  
4 sorry, this was Mr. Getz.

5 JUDGE ALBERS: What are you calling it? Cross  
6 Exhibit 1?

7 MR. BOROVIK: Could we make it CUB/AG Cross  
8 Exhibit 1?

9 JUDGE ALBERS: Okay.

10 (Whereupon CUB/AG Cross Exhibit  
11 1 was presented for purposes of  
12 identification as of this date.)

13 JUDGE YODER: We need copies of that for the  
14 court reporter and the parties. So it wasn't the  
15 beginning of the data request response?

16 MR. BOROVIK: Yeah.

17 JUDGE YODER: This is all you are moving to  
18 admit or the whole thing?

19 All right. CUB and AG is moving to  
20 admit AIU's response to AG Data Request AG 1.06  
21 sponsored by Mr. Getz or prepared by Mr. Getz. Is  
22 there any objection?



1 90 minutes reserved.

2 MR. REDDICK: I don't think we will be that  
3 long.

4 JUDGE YODER: Okay. Go ahead.

5 MR. REDDICK: Far be it for me to stand between  
6 people and lunch.

7 CROSS EXAMINATION

8 BY MR. REDDICK:

9 Q. My name, Mr. Stafford, is Conrad Reddick  
10 and I am representing the Illinois Industrial Energy  
11 Consumers. Good afternoon. I would like to start  
12 with some preliminary matters where I think we can  
13 agree before we get to more contentious matters.

14 Do you agree that there is, in  
15 regulatory ratemaking, a basic requirement that the  
16 resulting rates be just and reasonable?

17 A. I would agree.

18 Q. And the costs underlying those rates have  
19 to be reasonable as well?

20 A. Yes.

21 Q. And the data used to develop the rates must  
22 use procedures or methodologies that are all

1 similarly just and reasonable?

2 A. Generally I would agree with that, yes.

3 Q. So, for example, we wouldn't want to  
4 sanction, that is approve, arbitrary deviations from  
5 accounting rules in developing regulated rates?

6 A. Can you be more specific what you are  
7 referring to by arbitrary deviations of accounting  
8 rules.

9 Q. No.

10 A. I guess I can't agree without knowing more  
11 of the specifics that you are referring to.

12 Q. So you think there is an arbitrary  
13 deviation that might be approved?

14 MR. WHITT: I will object. Asked and answered.

15 MR. REDDICK: I don't think he answered that  
16 question.

17 MR. WHITT: He said he couldn't answer it  
18 without it being clarified, which counsel refuses to  
19 do.

20 JUDGE YODER: I will sustain the objection,  
21 unless you want to clarify what you mean by  
22 arbitrary.

1 BY MR. REDDICK:

2 Q. Mr. Stafford, do the Ameren Illinois  
3 Utilities follow accounting rules approved by the  
4 Commission?

5 A. Yes.

6 Q. And do the Ameren Illinois Utilities ever  
7 deviate from those rules approved by the Commission?

8 A. Again, I am not sure what context you are  
9 referring to. Are you referring in the context of a  
10 ratemaking setting rates or -- I need more context to  
11 be able to answer that question.

12 Q. Let's do setting rates first.

13 A. Well, I would say that ratemaking starts  
14 with accounting information and ratemaking considers  
15 what is appropriate from a ratemaking context in  
16 order to set rates. I don't know if that answers  
17 your question, but I see ratemaking as ratemaking  
18 accounting being accounting. They can overlap. They  
19 don't always overlap.

20 Q. In maintaining the books of the regulated  
21 utilities, do the Ameren Illinois Utilities deviate  
22 from the Commission-approved accounting rules?

1           A.    Not that I am aware of, no.

2           Q.    Do you agree that the costs underlying the  
3 Ameren Illinois Utilities' rates should be those of  
4 the utility, not of some other entity or simply made  
5 up?

6           A.    I think in terms of setting rates, the cost  
7 to the utility is certainly the proper framework.  
8 There are occasions when you have to look at  
9 additional information to assess what the appropriate  
10 costs are. A common example of that is setting the  
11 return on equity.

12          Q.    But, in any case, it would be the cost of  
13 the utility?

14          A.    The cost of the utility should be the  
15 starting point for the determination, yes.

16          Q.    The determination of what?

17          A.    I thought we were referring to a setting of  
18 rates in the context of a ratemaking proceeding.  
19 That's what I was answering to.

20          Q.    Let me try to be clear. I am asking about  
21 the costs, and the costs used to set rates should be  
22 the costs of the utility, correct?

1           A.    I agree that the costs used to set rates  
2           should be the cost of the utility, certainly to the  
3           extent that the costs can be determined reasonably in  
4           the context of setting rates.

5           Q.    Mr. Stafford, what are the components of  
6           the calculation of a utility's rate base, that is the  
7           assets used and useful in providing service?

8           A.    Well, the components are outlined on my  
9           Exhibits 51.1 through 51.6 on surrebuttal.  I have  
10          similar exhibits on rebuttal and direct.  Primary  
11          components are utility plant, accumulative  
12          depreciation reserve, additional line items for plant  
13          health for future use, materials and supply gas  
14          stored in inventory, cash working capital.  There is  
15          rate base deductions for accumulated deferred income  
16          taxes, customer deposits, customer advances.  And I  
17          will see if I have missed anything.

18          Q.    Well, can we accept that --

19          A.    And there is one additional adjustment,  
20          crude OPEB, ratepayer portion of a crude OPEB and net  
21          of ADIT, and that constitutes the adjustments we have  
22          on our surrebuttal schedule.

1           Q.    What is the largest -- well, let me go back  
2   to your description.  You said plant in service.  Is  
3   that the term you use to describe the assets?  I  
4   believe your list started with plant in service.  Did  
5   I hear correctly?

6           A.    The plant in service is the largest  
7   component of rate base and that is where the majority  
8   of the assets the utility is utilizing in providing  
9   services is housed within the rate base schedule.

10          Q.    How is plant in service different from net  
11   plant?

12          A.    Plant in service represents the assets at a  
13   point in time on the books of the utility, and it  
14   reflects the value -- the depreciated -- it reflects  
15   the original cost value of these assets at a point in  
16   time.  And net plant also adjusts for depreciation,  
17   depreciation reserve, and that represents the  
18   accumulated depreciation on the assets that make up  
19   the utility plant at a point in time.

20                    In addition, accumulated depreciation  
21   reserve is adjusted for retirements to get to that  
22   point in time, also cost of removal and salvage.  So

1 it represents the accumulation of depreciation at a  
2 given point in time on those assets.

3 Q. Then if I heard your answer correctly, if  
4 we take the plant in service and accumulated  
5 depreciation components that you listed for  
6 calculating rate base, those things would roughly  
7 equal net plant or exactly equal net plant?

8 A. The utility plant in service on our books  
9 at year end '08 and the depreciation reserve at year  
10 end '08 represents net plant before any pro forma  
11 adjustments. In addition, we have a pro forma  
12 adjustment, for example, capital additions that  
13 includes both adjustments to utility plant and to the  
14 depreciation reserve for those specific additions.

15 Q. I appreciate the context in which we are  
16 asking these questions, but right now I am just  
17 trying to do the accounting, not specifically to your  
18 pro forma proposal. I believe you said earlier that  
19 plant in service is the largest component of rate  
20 base. What is the next largest component?

21 A. The next largest component would be the  
22 accumulated depreciation reserve balance on this, on

1 that utility plant.

2 Q. And those are the two that roughly equal  
3 net plant?

4 A. Utility plant minus depreciation reserve  
5 equals net plant. Sometimes plant in service is  
6 included. Property health for future use is included  
7 in the calculation of net plant also.

8 Q. Would it be fair to say that net plant is  
9 the, quote unquote, driver of rate base magnitude,  
10 that it is the most significant element?

11 A. That is correct.

12 Q. Do you recall offhand what the percentage  
13 is for the Ameren companies that is net plant as a  
14 percentage of rate base?

15 A. I don't recall specifically. I am looking  
16 at one particular schedule, and net plant is actually  
17 greater than rate base. So the remaining components  
18 of rate base actually net out to be a negative  
19 adjustment to rate base.

20 Q. Okay. And we have been talking about  
21 accumulated depreciation. Is that the same thing as  
22 the depreciation reserves that's used in some other

1 witness' testimony?

2 A. I generally think of the two terms  
3 synonymously, yes. It can be looked at also that  
4 accumulated depreciation could be more dynamic; it  
5 can consider changes at a point in time. The reserve  
6 is at clearly a point in time.

7 Q. Now, from the definitions you have given  
8 us, I suppose you would agree -- well, I will ask  
9 you. Do you agree that if we tried to calculate a  
10 utility's rate base without taking into account  
11 accumulated depreciation, that calculation would  
12 overstate the rate base?

13 A. I certainly agree. In fact, depreciation  
14 reserve is a big, very material credit in the  
15 calculation of the AIU's rate base. We have taken  
16 into consideration the reserve in the calculation.

17 Q. Could you tell me what operating income is?

18 A. What it is?

19 Q. Yes.

20 A. It is revenues minus operating expenses  
21 equals operating income.

22 Q. Is there a name for the product of rate

1 base and the authorized return? Is there an  
2 accounting term that covers that?

3 A. Well, rate base authorized by the  
4 Commission times the overall rate of return  
5 authorized by the Commission results in the level of  
6 operating income that the utility is authorized to  
7 earn as a result of a rate setting process.

8 Q. That would be the amount that the utility  
9 is authorized to recover as its cost of capital?

10 A. It would be the amount the utility is  
11 authorized to recover to provide a source of return  
12 to its shareholders and have sufficient funds to pay  
13 its obligations, its debt, the preferred stock  
14 obligations, pay interest on those obligations and  
15 dividends on those obligations.

16 Q. Is that cost of capital?

17 A. I would agree, yes.

18 Q. Do you also agree, all else held equal,  
19 that if we inflated the authorized return level above  
20 the utility's cost of capital, we would generate a  
21 number that's above the utility's cost of capital?

22 A. If I understand you correctly, you are

1 asking me, if we inflated the utility's cost of  
2 capital above a return --

3 Q. Or for a return, we inflated the return,  
4 just add in an arbitrary amount; the resulting  
5 calculation would be above the utility's cost of  
6 capital?

7 A. I would agree.

8 Q. And, similarly, if we held the return level  
9 but inflated the rate base amount, we would get a  
10 similar result?

11 A. If you held the return level and inflated  
12 rate base arbitrarily, yes, you could get the same  
13 result in your hypothetical.

14 Q. Now, if I understand the accumulated  
15 depreciation or depreciation reserve correctly, it  
16 collects or records the depreciation expense that the  
17 companies record. If there is a \$10 depreciation  
18 expense, there is a \$10 increment to the accumulated  
19 depreciation?

20 A. That's the biggest single component. To  
21 build up the reserve is recording depreciation  
22 expense, yes. There are other components besides

1 that.

2 Q. Okay. And that calculation of the  
3 depreciation expense and the derivative change in the  
4 accumulated depreciation is based on  
5 Commission-approved depreciation rates, am I correct?

6 A. Yes.

7 Q. And the application of those rates takes  
8 place on a regular basis for the companies?

9 A. Would you repeat the question, please?

10 Q. The Commission-authorized depreciation  
11 rates we just talked about are applied regularly in a  
12 regular fashion by the utilities?

13 A. Yes. It is essentially applied on a  
14 monthly basis by the utility, yes.

15 Q. And do the Commission's approved accounting  
16 rules require that application of depreciation rates  
17 on a regular basis?

18 A. I would say so, yes.

19 Q. And are those depreciation rates applied  
20 to -- pick the right term -- plant in service?

21 A. The depreciation rates are applied to plant  
22 in service at a given point in time when the

1 calculation is performed, yes.

2 Q. Will depreciation of Ameren Illinois  
3 Utilities' plant in service continue after the end of  
4 the test year?

5 A. Depreciation occurs on a monthly basis  
6 continuously. The depreciation has been recorded  
7 since the start of time for the utility and continues  
8 to be recorded, yes.

9 Q. Now, if we look at the books of any of the  
10 Ameren Illinois Utilities, under the ICC's approved  
11 accounting rules and its approved depreciation rates,  
12 will the utilities' books at any point during the  
13 post-test year period of your proposed plant  
14 additions adjustment show the depreciation reserve at  
15 December 2008 levels?

16 A. For the post-test year period?

17 Q. Yes.

18 A. Yeah, for the post-test year period the  
19 components of rate base would not change. We are  
20 using a calendar year 2008 test year for every  
21 component of rate base.

22 Q. My question -- I am sorry, have you

1 finished?

2 A. Yes.

3 Q. My question was, when we look at the books  
4 of the utilities, what will we find after December of  
5 2008? Will the depreciation expenses and accumulated  
6 depreciation be frozen at December 2008 levels?

7 A. All components of rate base will be at a  
8 later point in time, whatever point in time you  
9 selected after the test year. Utility plant would be  
10 different; reserve would be different; everything in  
11 the rate base would be different, if you looked at  
12 any post-test year period.

13 Q. Let's pick a point in time. Let's pick  
14 February 2010. At the end of February 2010, will the  
15 books of any Ameren Illinois utility show its  
16 depreciation reserve at the December 2008 level and  
17 as plant in service as February 2010?

18 A. If you looked at the books of the utility  
19 in February 2010, you would have plant in February  
20 2010; you would have reserve in February 2010; you  
21 would have other components of rate base at that same  
22 point in time. You would essentially be at a

1 different period of time than you are in the current  
2 proceeding with the test year December 2008.

3 Q. If I understand your description of your  
4 proposed adjustment, your adjustment for all of the  
5 Ameren Illinois Utilities, they would add about  
6 one-quarter million dollars in plant to the AIU's  
7 rate bases, accounted for by plant additions  
8 projected to take place over a period of about 14  
9 months. Am I correct in that description?

10 A. I don't recall the net amount of rate base.  
11 I recall that the gross amount was 249 million.

12 Q. Okay. And that's the number you have on  
13 line 444 of your, I believe it is, your surrebuttal?

14 A. That is correct.

15 Q. Mr. Stafford, if you compared what the  
16 books of the Ameren Illinois Utilities would show as  
17 rate base as of the end of February 2010 with your  
18 proposed rate base, including the adjustments for  
19 post-test year plant additions, do you know which  
20 would be greater?

21 A. I don't know. The balance of February 2010  
22 is not yet determined. I know the amount will be

1 different. I don't know because that's a period of a  
2 forward-looking period of time from where we are at  
3 currently.

4 Q. Would the Ameren Illinois Utilities have to  
5 experience a decrease in gross plant of more than  
6 \$248 million before the books would show a greater  
7 amount than you are proposing?

8 A. Again, I don't know. I would have to look  
9 at all components of rate base to make that  
10 assessment.

11 Q. The smaller components of rate base that  
12 you listed before, is it reasonable to expect that  
13 even a large change to those could amount to \$248  
14 million?

15 A. I don't understand the question.

16 Q. In the list you gave me earlier, the  
17 components of the rate base, what was the last one  
18 you mentioned, if you recall?

19 A. The last item?

20 Q. Uh-huh.

21 A. Crude OPEB, net of ADIT.

22 Q. And the one before that?

1           A.    Customer deposits is before that on the  
2 list here I am looking at.

3           Q.    Can you -- well, let me rephrase that.

4                    Do you think it is realistic to expect  
5 that either of those items could amount to hundreds  
6 of millions of dollars?

7           A.    No, I don't think those items would come  
8 out to hundreds of millions of dollars, no.

9           Q.    Of the items most likely to add up to or  
10 come to hundreds of millions of dollars, the top two  
11 suspects would be plant in service and accumulated  
12 depreciation, right?

13           MR. WHITT:  Objection, asked and answered.  He  
14 indicated previously that he wouldn't know what the  
15 difference would be in a future period.

16           MR. REDDICK:  That wasn't the question.

17           JUDGE YODER:  Why don't you restate the  
18 question?

19           BY MR. REDDICK:

20           Q.    Of the items you listed as components of  
21 rate base, are the items most likely to be of a  
22 magnitude of hundreds of millions of dollars plant in

1 service and accumulated depreciation?

2 A. Well, as I stated previously, those are the  
3 two biggest components of rate base. If under a  
4 hypothetical any item would be over a hundred  
5 million, the one that would be more than likely the  
6 largest change would be plant in service and more  
7 than likely the next largest change would be  
8 accumulated depreciation, and similarly other  
9 components of rate base would change also. Their  
10 values are lower than plant or reserve.

11 Q. Could you turn to your surrebuttal  
12 testimony, please? And I hope I have the right  
13 revision here, but on my revision I am looking at  
14 line 402 which is at the bottom of page 17.

15 A. I have that, yes.

16 Q. What is the source of the matching  
17 principles that you refer to there at line 402 of  
18 your surrebuttal?

19 A. Well, the source of the matching principle  
20 is, I guess from my perspective, commonsense  
21 regarding what the matching principle represents and  
22 then also my reading of Part 287 of the Commission

1 rules.

2 Q. Is the matching that you refer to a  
3 matching of costs and revenues over a consistent  
4 period of time?

5 A. The matching I am referring to here is the  
6 necessity to match the depreciation reserve with the  
7 utility plant. The utility has adopted a 2008 year  
8 end test year. Utility plant is at year end 2008.  
9 And to properly match that with the reserve, it is  
10 necessary to look at the reserve of 2008 also.  
11 That's what I am referring to as the matching  
12 principle in this case.

13 MR. REDDICK: Your Honor, may I have that  
14 answer read back?

15 (Whereupon the requested portion  
16 of the record was read back by  
17 the Reporter.)

18 BY MR. REDDICK:

19 Q. And that'S your understanding of the  
20 matching principle?

21 A. Yes, the matching principle that you need  
22 to match items at the same moment in time.

1           Q.    I would like for you to look at -- I  
2 believe we are still in your surrebuttal testimony.  
3 I will check just to make sure.  Would you read lines  
4 -- you may read to yourself -- lines 461 through 464  
5 of your surrebuttal, and then I would like to ask you  
6 a question about that.

7           A.    I have read that.

8           Q.    Is it your position that taking one  
9 component of the capital structure out at some future  
10 period and leaving all other components unchanged is  
11 a bad thing that should not be done?

12          A.    Yes.  Taking the entire capital structure  
13 out to a future period without moving the other  
14 components of the capital structure for the same  
15 period would violate the matching principle, and I  
16 would say that would be a bad thing, yes.

17          Q.    Would you do the same thing with lines 398  
18 through 400 of your surrebuttal?

19          A.    I have read that.

20          Q.    You refer there to plant in service  
21 remaining at year end 2008.  You say the vast  
22 majority.  Doesn't it all remain in at year end 2008

1 because the plant additions you are proposing don't  
2 happen until after 2008?

3 A. The vast majority is correct because some  
4 of the assets on the books of year end 2008 have been  
5 retired as part of the pro forma adjustment. And to  
6 properly align the pro forma adjustment with proper  
7 accounting, I have to look at not only the additions  
8 being added but also assets being retired and make  
9 all appropriate adjustments to calculate both the  
10 utility plant for additions, net of retirements, the  
11 reserve, force of netting in retirements,  
12 depreciation expense, cost of renewable salvage,  
13 properly calculate the pro forma additions.

14 So in sum, the fact that I have  
15 considered that some of these assets will be retired  
16 as part of the pro forma is the reason why I  
17 referenced the vast majority here.

18 Q. And it is your position, I understand, that  
19 while it is appropriate to propose additions to plant  
20 in the post-test year and make adjustments for those  
21 additions, that it is not appropriate to recognize  
22 the depreciation that will happen on a monthly basis

1 post-test year?

2 A. Well, I have recognized the depreciation on  
3 the pro forma capital additions. I made all the  
4 adjustments associated with that. If you are  
5 referring to changes on a monthly basis to the  
6 reserve, that's separate and distinct from the pro  
7 forma capital additions adjustment. I do not agree  
8 that that's appropriate. That recognition in effect  
9 moves the test year from 2008 to some future period  
10 for the depreciation reserve.

11 Q. And it is your position that including  
12 plant adjustments through February 2010 does not move  
13 the test year forward for any portion of the test  
14 year data?

15 A. Absolutely. It absolutely does not move  
16 the test year. The adjustment is entirely within the  
17 scope of the rules of the Commission. All the  
18 associated adjustments with those pro forma capital  
19 additions have been made and the adjustment that has  
20 been made reflects properly all the appropriate  
21 adjustments.

22 Q. I don't think that was the question I asked

1 you, Mr. Stafford. Let me try again.

2 Is it your position that your addition  
3 of post-test year plant does not move any component  
4 of the test year forward beyond December 2008? I  
5 didn't ask about the rule.

6 MR. WHITT: I will object. The witness just  
7 answered that very question.

8 MR. REDDICK: I think the witness gave a  
9 justification for his position. He did not answer my  
10 question.

11 MR. WHITT: Well, he didn't answer it the way  
12 counsel wanted it answered.

13 JUDGE YODER: I will sustain it at this point.  
14 If you want to ask him a different question --

15 How much more do you have,  
16 Mr. Reddick? I am wondering whether we should break  
17 for lunch now.

18 MR. REDDICK: I think I will be done shortly.

19 Q. Under your proposed plant additions  
20 adjustment, plant in service will be changed to  
21 include additions through February 2010, correct?

22 A. That's correct, and that change is net of

1 retirements, depreciation, etc.

2 Q. Yes, the third time you have told us that.  
3 Let's turn to injuries and damages inflation. In the  
4 AIU's most recent completed case, not this case, what  
5 methodologies did the AIUs propose for calculating  
6 the injuries and damages expense?

7 A. The AIUs proposed a historical average of  
8 claims paid to make that determination. I don't  
9 recall the specific number of years. I do recall  
10 that for IP Electric one of the years was excluded  
11 from the average.

12 Q. But it was a multi-year averaging  
13 technique?

14 A. Yes.

15 Q. And was the same or similar multi-year  
16 averaging technique of actual expenses used in the  
17 case prior to that?

18 A. I believe it was, yes.

19 Q. Do you agree that when we take account of a  
20 period of years in determining an expense level, the  
21 effect of inflation is included in the actual data  
22 for those years?

1           A.    No, I would not agree with the fact that it  
2    is included for the older years.  The only year that  
3    would be properly represented for the impact of  
4    inflation would be the most recent year.  So over  
5    time all costs have gone up, and so the answer would  
6    be no, it would not fully reflect the impact of  
7    inflation.

8           Q.    So the actuals of year two over year one  
9    would not include inflation, the effect of inflation?

10          A.    If you are using year two and year one in  
11   your average, year two would be priced from a current  
12   standpoint from an inflationary view.  Year one would  
13   not be because it would be stated in 2001 dollars  
14   instead of -- or year one dollars instead of year two  
15   dollars.

16          Q.    And when we get to year three, you are  
17   saying year three actuals would not reflect inflation  
18   from year two to year three or year one to year  
19   three?

20          A.    Year three would not reflect the impact of  
21   inflation, the full impact of inflation, for year two  
22   or year one, if you are using it for an average.



1                   AIU Exhibit 2.0-E, Revised Direct  
2     Testimony of Mr. Stafford; AIU Exhibit 2.0-G, the  
3     Revised Direct Testimony of Mr. Stafford; AIU Exhibit  
4     2.1 through 2.5 Revised; AIU Exhibit 2.6 Revised; AIU  
5     Exhibit 25.0, Supplemental Direct Testimony of  
6     Mr. Stafford; AIU Exhibit 25.1 through 25.4; AIU  
7     Exhibit 29.0, Revised Rebuttal Testimony of  
8     Mr. Stafford filed 11/12; AIU Exhibit 29.0 Attachment  
9     A Revised; AIU Exhibit 29.0 Attachment B; AIU Exhibit  
10    29.1 through 29.19; AIU Exhibit 51.0, Second Revised  
11    Surrebuttal Testimony of Mr. Stafford; AIU Exhibit  
12    51.1 through 51.6 Revised filed December 8, 2009; AIU  
13    Exhibit 51.7 Second Revised filed December 14; AIU  
14    Exhibits 51.8 through 51.13; AIU Exhibit 51.15 and  
15    51.17 filed December 2; AIU Exhibit 51.16  
16    Confidential filed December 2.

17                   Then we have AIU Exhibit 3.0 Revised,  
18     Direct Testimony of Mr. Wichmann and adopted by  
19     Mr. Stafford; AIU Exhibit 3.0-G, first one is E if I  
20     didn't say that, Revised Direct Testimony of Mr.  
21     Wichmann as adopted by Mr. Stafford; and AIU Exhibit  
22     30.0, the Rebuttal Testimony of Mr. Wichmann as

1 adopted by Mr. Stafford which was filed with Exhibits  
2 30.1 through 30.8.

3 MR. WHITT: I believe that's correct.

4 JUDGE YODER: Hearing no objection, then those  
5 will be admitted into evidence in this docket.

6 (Whereupon Ameren Exhibits  
7 2.0-E, 2.0-G, 2.1 through 2.5  
8 Revised, 2.6 Revised, 3.0  
9 Revised, 3.0-E, 3.0-G, 25.0,  
10 25.1 through 25.4, 29.0, 29.0  
11 Attachment A Revised & B, 29.1  
12 through 29.19, 30.0, 30.1  
13 through 30.8, 51.0, 51.1 through  
14 51.6 Revised, 51.7 2nd Revised,  
15 51.8 through 51.13, 51.15, 51.16  
16 Confidential, and 51.17 were  
17 admitted into evidence.)

18 (Witness excused.)

19 JUDGE YODER: I think we will break for lunch  
20 until about 1:15 at which time we will hear from the  
21 remaining witnesses scheduled for today.

22 (Whereupon the hearing was in  
recess until 1:15 p.m.)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

AFTERNOON SESSION

(Whereupon the hearing is now  
being stenographically reported  
by Laurel A. Patkes.)

JUDGE ALBERS: We're on the record returning  
from our lunch break, and if we follow our schedule,  
our next witness is Mr. Fiorella.

Were you sworn this morning?

MR. FIORELLA: No, sir.

JUDGE ALBERS: Would you stand and raise your  
right hand?

MR. STURTEVANT: There's a handful of  
witnesses, Your Honor.

JUDGE ALBERS: Okay. Mr. Normand and  
Mr. Underwood, are they here?

MR. STURTEVANT: Yes.

JUDGE ALBERS: Okay. Great.

(Whereupon the witnesses were  
sworn by Judge Albers.)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

SALVATORE FIORELLA

called as a witness herein, on behalf of Ameren  
Illinois Utilities, having been first duly sworn on  
his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. WHITT:

Q. Mr. Fiorella, could you introduce yourself  
to the Commission, please?

A. Yes. My name is Salvatore Fiorella. I go  
by Sammy. S-a-l-v-a-t-o-r-e, S-a-m-m-y,  
F-i-o-r-e-l-l-a . My business address is 22560 Home  
Court, Frankfort, Illinois 60423. I am the president  
and sole owner of Sfiio Consulting.

Q. Mr. Fiorella, have you prepared surrebuttal  
testimony in this proceeding that has been marked as  
Ameren Exhibit 69?

A. Yes, sir.

Q. Do you have any additions or corrections to  
make to your testimony?

A. No.

Q. And are the answers true and correct to the  
best of your knowledge?

1           A.    Yes.

2           Q.    If I were to ask you the same questions in  
3    your surrebuttal testimony today, would your answers  
4    be the same?

5           A.    Yes.

6           MR. WHITT:  Your Honor, at this time the  
7    companies move for the admission of Ameren Exhibit 69  
8    subject to cross-examination.

9           JUDGE ALBERS:  Very good.  I'll hear any  
10   cross-examine first.

11                            Any questions for Mr. Fiorella?

12                            Mr. Reddick.

13           MR. REDDICK:  Good afternoon, Mr. Fiorella.

14           THE WITNESS:  Good afternoon.

15           MR. REDDICK:  We know each other.

16                            CROSS-EXAMINATION

17   BY MR. REDDICK:

18           Q.    I would like for you to look at lines 218  
19    to line 221 of your testimony.

20           A.    Okay.

21           Q.    Is it your testimony that under  
22    Section 287.40, the AIU would not be allowed to

1 propose pro forma adjustments for any and all other  
2 costs and revenues that are known and measurable  
3 reasonably certain to occur and determinable?

4 A. No, but I think that would, in essence, be  
5 in a future test year if you moved everything.

6 Q. So the answer is no?

7 A. Right.

8 Q. Okay. Is it your testimony that the post  
9 test year changes in the depreciation reserve that  
10 are identified by Mr. Effron and Mr. Gorman are not  
11 reasonably certain to occur?

12 A. Yes.

13 Q. They will not occur? They're not  
14 reasonably certain to occur?

15 A. Oh, I'm sorry. There will be changes to  
16 the depreciation reserve that will occur into the  
17 future, if that's responsive to your question.

18 Q. Yes.

19 A. Okay. I'm sorry.

20 Q. And similarly, the changes to the  
21 depreciation reserve going forward will be made using  
22 Commission approved depreciation rates applied to

1 Commission approved asset amounts?

2 A. Yes.

3 Q. And is it your testimony that those changes  
4 are not known and measurable?

5 A. Yes.

6 Q. And on what do you base that conclusion?

7 A. Symptomatically. I mean, if you look at  
8 Effron's and Mr. Gorman's adjustment, they're  
9 \$23 million off as of February right off the bat.  
10 They were about the same amount, 25 million off in  
11 direct.

12 Q. Now, does known and measurable require  
13 precise agreement of any two calculations?

14 A. Please say that again.

15 Q. In order for an amount to be known and  
16 measurable, do any two estimates or any two  
17 calculations have to agree precisely?

18 A. No.

19 Q. And as a matter of policy, you would say  
20 that that's an unreasonable standard precise  
21 agreement?

22 A. No. I mean, I think there's a reasonable

1 test that people use when they look at findings or,  
2 you know, solutions to problems, and if things are  
3 way out of line, one says it's not reasonable and  
4 there's a problem.

5 Q. Precision though is not the same?

6 A. Right.

7 Q. Okay. Did you examine Mr. Gorman's and  
8 Mr. Effron's proposals to make sure that they were  
9 providing calculations on precisely the same thing?

10 A. No.

11 Q. I believe your testimony, line 226...

12 A. 226?

13 Q. Yes. And I believe there you testify that  
14 based on your view of today's environment, the effect  
15 of claiming all capital costs and operating expenses  
16 as of 2010 would increase the cost of service over  
17 the 2008 test year values?

18 A. That and 35 years of experience and running  
19 these models for corporations. I ran them for  
20 Peoples on an annual basis. We'd look at the budgets  
21 and we'd run a revenue requirement calc, historical  
22 versus a future test year, and add in pro forma

1 adjustments because the Commission usually allows  
2 them to see what the revenue requirements are, and  
3 for the life of me, I can't tell you one where the  
4 future test year revenue requirement was less than  
5 the historical year.

6 Q. Did you do one for the Ameren Utilities?

7 A. No.

8 Q. It is possible, however, that a utility  
9 that engaged in an aggressive and successful expense  
10 cutting campaign might actually have a lower revenue  
11 requirement?

12 A. If your question is could there be a  
13 situation...

14 Q. That is my question.

15 A. Yes, of course, you can mathematically  
16 concoct something to make it work that way, yes.

17 Q. And similarly, if there weren't large  
18 increases in rate base and there were large amounts  
19 in depreciation over time, that too could affect  
20 whether or not the future period had a higher revenue  
21 requirement than a current period?

22 A. And declining cost of that and declining --

1     yeah, again, you could come up with some scenario  
2     that would happen. I haven't seen it in reality  
3     though.

4             Q.    You agree that the AIU plant additions  
5     adjustment will increase the utilities rate basis  
6     over the test year 2008?

7             A.    The company's pro forma addition is an  
8     addition to plant in service less the modifications  
9     as testified to by Mr. Stafford. That is an increase  
10    to rate base.

11            Q.    Yes.

12            A.    I wanted to make sure I said it right.

13            Q.    So the answer is yes?

14            A.    Yeah, but I don't think I said it the way  
15    you said it so I wanted to make sure I described it  
16    properly; not that you described it improperly.

17            Q.    So the answer is yes?

18            A.    Just so I can say yes to it because I think  
19    I know what you're talking about.

20            Q.    And recognition of the post test year  
21    depreciation as Mr. Gorman proposes would reduce the  
22    amount of that increase in rate base?

1           A.    I'm sorry.  Please read it back.

2           Q.    The post test year -- the recognition of  
3 post test year depreciation as Mr. Gorman proposes  
4 would reduce the amount of that increase to rate  
5 base?

6           A.    I don't know if it reduces that amount.  I  
7 don't know how you match them or something, but it is  
8 a -- the proposed adjustment results in a reduction  
9 to rate base, but there could be other, you know, up  
10 and downs all over the place if you start doing that  
11 stuff, but it does result in that, and I don't say  
12 it's related to it if that's your question.

13          Q.    That is not my question.  My question is  
14 simple mathematics.  Does the adjustment being  
15 proposed by Mr. Gorman reduce the increase in rate  
16 base that results from the post test year plant  
17 additions adjustment?

18          A.    It's a reduction in rate base.  I would not  
19 relate it to the additions because it's not related  
20 to the additions.

21                        So if that's a no, take a no.  I don't  
22 know if you're looking at a bigger picture.

1 Q. My question is simple mathematics.

2 A. It's not simple mathematics. What are you  
3 subtracting from and to. That's my question. I  
4 wasn't being evasive. I was just trying to answer  
5 your question.

6 Q. The plant additions adjustment adds to  
7 what?

8 A. The plant additions --

9 Q. The AIU plant additions adjustment is in  
10 addition to what?

11 A. Utility plant in service.

12 Q. And...

13 A. Well, it's not just one line item. It's  
14 not that simple.

15 Q. No. I understand.

16 A. With related adjustments.

17 Q. With related adjustments as described by  
18 Mr. Stafford?

19 A. Yeah. Mr. Stafford described it just fine.

20 Q. And the depreciation adjustment proposed by  
21 Mr. Gorman is a deduction from what?

22 A. It's an addition to the reserve for

1 depreciation which is by color a deduction from rate  
2 base.

3 Q. Okay. So the effect of Mr. Gorman's  
4 proposed post test year depreciation adjustment is a  
5 reduction to rate base?

6 A. Yes.

7 Q. Whereas the plant additions adjustment is  
8 in addition to rate base?

9 A. Yes.

10 Q. So the effect of Mr. Gorman's adjustment is  
11 to reduce the amount by which rate base is increased  
12 by the plant additions?

13 A. You can look at it that way. I don't. I  
14 mean, rate base is a number. It's an addition to or  
15 a deduction from. I wouldn't relate it to any number  
16 on the sheet because it's not related to that.

17 Q. Except to the extent that they both affect  
18 rate base?

19 A. And that's my point. Rate base is a  
20 number. Whatever that number is, you're going up or  
21 down with it. Mr. Stafford's adjustment goes up.  
22 Mr. Gorman's, Mr. Effron's go down.

1 Q. Thank you.

2 A. You're welcome.

3 Q. Look at line 121, I'm sorry, 125 of your  
4 testimony.

5 A. Yes.

6 Q. And there you say the basic purpose of such  
7 pro forma adjustments is to reduce regulatory lag.

8 I didn't notice in your testimony a  
9 quotation or a citation to a Commission order where  
10 the Commission declared that purpose for your  
11 conclusions. Do you have one?

12 A. It's a generally accepted principle in  
13 ratemaking, regulatory lag and the purpose of  
14 pro formas. I don't have a --

15 Q. Do you have the authority for that?

16 A. I don't have a cite, but in the utility  
17 community, I think you'd find general agreement that  
18 that's...

19 Q. Has the ICC ever said that?

20 A. I can't refer to a cite, but I'll bet they  
21 have in the course of testimony. I'm sure I could  
22 find a cite. I'd be happy to go back and do some

1 research.

2 Q. You don't have one?

3 A. I do not have one, no.

4 Q. And at the time that you made this  
5 statement, you didn't have one?

6 A. No, I don't have a cite when I made this,  
7 but again, it's basically ratemaking.

8 Q. And you've not seen a Commission order that  
9 declares that intention?

10 A. I don't know. I don't know -- that's a no.  
11 I don't know. I might have.

12 Q. You've not seen one?

13 A. No, I said I might have. I don't know off  
14 the top of my head.

15 Q. You don't recall one?

16 A. I don't recall, right. Yeah, I'm guessing  
17 there probably is.

18 MR. REDDICK: I think I'd like to strike the  
19 speculation.

20 MR. WHITT: The witness said he doesn't know.

21 JUDGE ALBERS: Yeah. I'll overrule the  
22 objection there or at least this afternoon.

1 Q. BY MR. REDDICK: Is it your position that  
2 28740 only allows changes that increase rate base for  
3 revenue requirements?

4 A. No, because the company itself is proposing  
5 decreases related to the increase; increases to  
6 depreciation reserve, etc., so no.

7 Q. At several places in your testimony, you  
8 appear to suggest that the Commission should not  
9 consider the merits of what you call reconstituted  
10 arguments that have previously been rejected by the  
11 Commission.

12 Do you recall that?

13 A. No. Refer me to your cite.

14 Q. Line 314, 99, 105, 188.

15 A. Well, let me just deal with one. They may  
16 be different context here. Which one do you want to  
17 do first?

18 Q. Let's go with 314.

19 A. Okay. I'm sorry. All right. Your  
20 question is...

21 Q. Well, is that your testimony, that the  
22 Commission -- I said you appear to suggest that the

1 Commission shouldn't consider the merits of what you  
2 call reconstituted arguments previously rejected.

3 Is that your testimony?

4 MR. WHITT: I'll object. It mischaracterizes  
5 the testimony. The cited portion is where the  
6 witness is quoting a Commission order, so it's the  
7 Commission who has used the term reconstituted  
8 arguments, not this witness.

9 MR. REDDICK: If I may.

10 JUDGE ALBERS: Go ahead.

11 MR. REDDICK: I was asking the witness what his  
12 testimony said. I wasn't characterizing it.

13 THE WITNESS: Well, you said it appeared, and  
14 that's your opinion that it appears, not mine.

15 JUDGE ALBERS: Well, you can answer the  
16 question whether or not you agree with his  
17 perception.

18 THE WITNESS: What is the question?

19 Q. BY MR. REDDICK: Is that your testimony?

20 A. Yes. You read it off. Yes.

21 Q. Is it your testimony that arguments or  
22 positions previously rejected by the Commission

1 should not be presented by parties?

2 A. No.

3 Q. Is it your testimony that they should not  
4 be seriously considered by the Commission?

5 A. No.

6 Q. Is it your testimony that reconstituted  
7 arguments previously heard by the Commission can  
8 never be a basis for reversing a prior Commission  
9 decision?

10 MR. WHITT: Objection. Calls for a legal  
11 conclusion.

12 MR. REDDICK: The witness is here testifying  
13 about regulatory policy and steps all over things  
14 that might otherwise be considered legal opinions.

15 MR. WHITT: He's not offered any opinion about  
16 what the Commission has the legal ability or  
17 authority to do.

18 JUDGE ALBERS: All right. Well, Mr. Fiorella,  
19 you're not a lawyer, are you?

20 THE WITNESS: No, sir.

21 JUDGE ALBERS: Okay. Recognizing that, I'll  
22 allow you to answer the question and, you know, give

1 it the appropriate weight.

2 THE WITNESS: What's the question? There was  
3 like a whole battery.

4 Q. BY MR. REDDICK: Is it your testimony that  
5 reconstituted arguments previously heard by the  
6 Commission can never be a basis for reversing a prior  
7 Commission decision as a matter of policy, not as a  
8 legal matter?

9 A. No.

10 Q. I'm sorry. I didn't hear you.

11 A. No.

12 Q. Then do you agree that the Commission  
13 should carefully weigh all the evidence and arguments  
14 presented in the case?

15 A. What was the end of the question?

16 Q. Presented in the case.

17 A. Yes.

18 MR. REDDICK: Thank you. That's all.

19 JUDGE ALBERS: Okay. Mr. Borovik, CUB and AG  
20 reserved a little time. Did you still have  
21 questions?

22 MR. BOROVIK: Your Honor, we agreed to waive

1 our cross of this witness. Thank you.

2 JUDGE ALBERS: And I don't see Mr. Coffman here  
3 so I'm guessing he waived his cross too.

4 Did you have any redirect?

5 MR. WHITT: Can we take a brief minute?

6 JUDGE ALBERS: Sure.

7 (Pause)

8 MR. WHITT: We will have no redirect, Your  
9 Honor.

10 JUDGE ALBERS: All right. Thank you,  
11 Mr. Fiorella.

12 (Witness excused.)

13 JUDGE ALBERS: And hearing no objection, then  
14 Ameren Exhibit 69 is admitted.

15 (Whereupon Ameren Exhibit 69 was  
16 admitted into evidence at this  
17 time.)

18 JUDGE ALBERS: And our next witness is  
19 Mr. Normand.

20 MR. TROMBLEY: Your Honor, I believe I need to  
21 make an appearance. I'm Peter Trombley, Jones Day on  
22 behalf of Ameren. My address is 717 Texas, Houston,

1 Texas 77002.

2 JUDGE ALBERS: Thank you.

3 PAUL M. NORMAND

4 called as a witness herein, on behalf of Ameren  
5 Illinois Utilities, having been first duly sworn on  
6 his oath, was examined and testified as follows:

7 DIRECT EXAMINATION

8 BY MR. TROMBLEY:

9 Q. Good afternoon, Mr. Normand. Can you  
10 please state your full name and business address for  
11 the record?

12 A. Paul M. Normand, 1103 Rocky Drive, Suite  
13 201, Reading, Pennsylvania 19609.

14 Q. Did you prepare or cause to be prepared  
15 testimony and exhibits for submission in these  
16 proceedings?

17 A. Yes, I did.

18 Q. Did you prepare or cause to be prepared the  
19 direct testimony of Paul M. Normand that was  
20 previously marked Ameren Exhibit 16.0G and filed on  
21 e-docket on June 5, 2009?

22 A. Yes, I did.

1 Q. Did you prepare or cause to be prepared the  
2 exhibits attached to your direct testimony that were  
3 previously marked Ameren Exhibits 16.1G through  
4 16.15G?

5 A. Yes, I did.

6 Q. Did you prepare or cause to be prepared the  
7 rebuttal testimony of Paul M. Normand that was  
8 previously marked Ameren Exhibit 27.0 and filed on  
9 e-docket on October 23, 2009?

10 A. Yes, I did.

11 Q. Did you prepare or cause to be prepared the  
12 exhibits attached to your rebuttal testimony that  
13 were previously marked Ameren Exhibits 27.1 through  
14 27.7?

15 A. Yes, I did.

16 Q. Did you prepare or cause to be prepared the  
17 surrebuttal testimony of Paul M. Normand that was  
18 previously marked Ameren Exhibit 57.0 and was filed  
19 on e-docket on October 2, 2009?

20 A. Yes, I did.

21 Q. Do you have any corrections or  
22 modifications to any of those testimonies or

1 exhibits?

2 A. No, I do not.

3 Q. Is the information contained in these  
4 testimonies and exhibits true and correct to the best  
5 of your knowledge?

6 A. It is.

7 Q. If I were to ask you the same questions  
8 today, would your answers be the same?

9 A. Yes, they would.

10 MR. TROMBLEY: Your Honor, at this time we'd  
11 move for admission into evidence the following Ameren  
12 Exhibits 16.0G through 16.15G, 27.0 through 27.7, and  
13 57.0.

14 JUDGE ALBERS: Any objections at this time?

15 MR. TROMBLEY: We tender Mr. Normand for  
16 cross-examination.

17 JUDGE ALBERS: Does anyone have questions for  
18 Mr. Normand?

19 MS. LIN: Is staff the only party that has  
20 reserved time for Mr. Normand?

21 JUDGE ALBERS: I think so, yes, yes.

22 MS. LIN: Okay. We have a few questions,

1 Judge.

2 Good afternoon, Mr. Normand. How are  
3 you.

4 THE WITNESS: Good afternoon.

5 MS. LIN: My name is Jennifer Lin. I'm here on  
6 behalf of staff, and I just have a few questions  
7 regarding specifics about your testimonies.

8 CROSS-EXAMINATION

9 BY MS. LIN:

10 Q. I'm going to direct your attention to your  
11 direct testimony, 16.0G starting on page 10.

12 Starting at line 188, can you read the  
13 first sentence for us?

14 A. Underground storage plant facilities were  
15 segregated into a portion that supports the delivery  
16 function applicable to all sales customers and a  
17 separate portion assignable to transportation  
18 customers based on their ability to withdraw gas from  
19 their transportation banks on a peak day.

20 Q. And what are you trying to say in that  
21 sentence with regards to bank withdrawal?

22 A. What I'm trying to say is I've got a fixed

1 asset that I need to allocate amongst customer  
2 classes, and I've got different statistics from which  
3 to do that, so what I've done is I've done an  
4 analysis of the sales customers, and I've imputed  
5 some relationships for the transportation customers  
6 in order for me to segregate this fixed asset into  
7 two pieces before I further allocate it amongst the  
8 sales customers.

9 Q. And I'm going to direct your attention to  
10 your surrebuttal testimony.

11 A. Yes.

12 Q. That would be Ameren Exhibit 51.0 Revised.

13 A. My surrebuttal?

14 Q. Yes.

15 A. It's Exhibit 57.

16 Q. I'm sorry. I'm looking at the wrong page.  
17 Disregard the rebuttal testimony or the surrebuttal  
18 testimony cite.

19 In your testimony, in either of the  
20 pieces of testimony, you discuss assets required to  
21 support peak day requirements to serve sales  
22 customers and transportation customers peak day bank

1 withdrawals rights, correct?

2 A. I discuss in several sections that the  
3 company needs all of its assets to accommodate that  
4 which part of it is the on peak storage which is in  
5 this case and another part which is off peak storage  
6 which is not in this case.

7 Q. Do you assume that transportation customers  
8 will be withdrawing gas from their banks on a peak  
9 day?

10 A. I would assume, yes.

11 Q. And in your opinion, what is a daily  
12 confirmed nomination or DCN for short?

13 A. Those are levels that the customer chooses  
14 to nominate.

15 MS. LIN: Request permission to approach.

16 JUDGE ALBERS: Yes.

17 (Whereupon Normand Staff Cross  
18 Exhibit 1 was marked for  
19 identification as of this date.)

20 Q. BY MS. LIN: Mr. Normand, I'm going to show  
21 you what I've marked as Normand Staff Cross Exhibit  
22 No. 1. This is Ameren's Rider T. It's the tariff.

1           A.    Yes.

2           Q.    Can you take a look at that, and do you  
3 recognize this tariff?

4           A.    Yes.  I've seen it at some point.

5           Q.    And can you tell us if there's a definition  
6 so to speak for DCN on that tariff?

7           A.    There is.

8           Q.    And can you read us that definition?

9           A.    Daily confirmed nomination is the volume a  
10 transportation customer nominates and delivers to the  
11 company's delivery system for any single day.  The  
12 absence of a daily confirmed nomination is equivalent  
13 to a daily confirmed nomination of zero.  Such  
14 deliveries shall reflect adjustment for losses on the  
15 company's gas system.

16          Q.    Is that definition similar to the one that  
17 you just answered?

18          A.    Yes.

19          Q.    What exactly is a nomination in your  
20 opinion?

21          A.    It is what the customer anticipates that he  
22 will use, not use but it's what he will use from his

1 supplies, what he's going to bring in.

2 Q. So it's not only an anticipation. It's  
3 more you actually have to nominate it, correct?

4 A. That's correct.

5 Q. In anticipation?

6 A. That's correct.

7 Q. And how does it relate to deliveries?

8 A. You would hope that the deliveries match  
9 the nominations. They may. They may not, but you  
10 would hope they would.

11 Q. When a customer withdraws gas from its  
12 bank, is DCN equal to, greater than, or less than  
13 usage on that day by that customer?

14 A. The DCN would be less than his use.

15 Q. And on any day that a daily balanced  
16 transportation customer has a bank withdrawal, DCN  
17 must be less than usage, correct?

18 A. Yes.

19 Q. On a peak design day, do you assume that  
20 transportation customers will have bank withdrawals?

21 A. Yes. There's no reason why they wouldn't.

22 Q. And would you expect the same to be true on

1 a test year historic peak day?

2 A. Yes.

3 Q. Is it true that Ameren's tariff limits bank  
4 withdrawals to 20 percent of DCN for large  
5 transportation customers?

6 A. For dailies, yes.

7 Q. On page 3 of your surrebuttal testimony, I  
8 believe I have that reference correct this time,  
9 starting at the question and answer starting at line  
10 59, continuing into line 61, you state that DCN is an  
11 excellent starting or reference point for cost  
12 allocation; is that correct?

13 A. I'm sorry. Starting at line what?

14 Q. Starting at line 61, you state the DCN  
15 levels are certainly an excellent starting or  
16 reference point.

17 A. Well, I start with, no, they should not --  
18 the question is should you use DCN nomination. I  
19 said, no, they should not.

20 Q. Right, but you continue to say...

21 A. That's correct, it's a starting point.

22 Q. It's an excellent starting or reference

1 point?

2 A. A starting point.

3 Q. Going back to your rebuttal testimony on  
4 page 3.

5 A. Yes, I have that.

6 Q. Starting at line 61, you testify that, I  
7 believe starting on line 62, you're pretty much  
8 discussing Mr. Sackett's testimony, and you refer to  
9 a double counting of one customer in the AmerenCIPS  
10 data. Is that correct? Do you recall that?

11 A. That's correct. After Mr. Sackett pointed  
12 it out, we discovered there was a double counting of  
13 one customer.

14 Q. And what kind of customer was that one  
15 customer, do you recall? Was it a regular ordinary  
16 customer?

17 A. It was a large customer, but I don't  
18 recall. I don't have my notes with me on that issue.

19 Q. Was it a large customer with unique  
20 circumstances with a special contract if you recall?

21 A. Yes, yes. In the mid 20s was his demand.

22 Q. A very unique set of circumstances?

1           A.    Yes.

2           Q.    Now, in your rebuttal testimony, if you  
3 could turn to page 4, on lines 72 to 73, you utilize  
4 the term volumes. Do you recall?

5           A.    That's correct.

6           Q.    Would you agree that the term volumes is  
7 used as the equivalent of usage there?

8           A.    Yes. It's peak day usage.

9           Q.    And in your Exhibit 27.3 -- do you have  
10 that in front of you?

11           JUDGE ALBERS: 27.3 you said?

12           MS. LIN: Yes, Judge.

13                        It was an attachment to your rebuttal  
14 testimony. I believe you have that in front of you.

15           THE WITNESS: Yes, I do.

16           Q.    Would you agree that the term volumes there  
17 is also used as the equivalent of usage?

18           A.    Peak day usage, yes.

19           Q.    Now, on line 69 of your rebuttal  
20 testimony...

21           A.    Which page?

22           Q.    On line 69 of your rebuttal testimony.

1           A.    Oh, okay.

2           Q.    Can you read the answer to the question  
3   that starts on page 66 following yes?

4           A.    The following description relates to each  
5   line of data provided in the supplemental response  
6   shown in Ameren Exhibit 27.3.  I have added two  
7   additional lines to provide more clarification to the  
8   calculation.

9           Q.    Specifically in that exhibit, the one that  
10   we were just discussing that was attached to your  
11   rebuttal testimony, would you agree that the numbers  
12   listed as 2008 peak day volume are the equivalent of  
13   usage?

14          A.    Yes, peak day usage.

15          Q.    And also in that same exhibit, would you  
16   agree that the numbers listed as bank withdrawal  
17   rights at 20 equals 20 percent of usage?

18          A.    It's 20 percent of usage which in  
19   developing my allocator, I call that the equivalent  
20   of a DCN.  It's my DCN, not the actual DCN.

21                    I'm developing an allocator in this  
22   process, and in doing that, I determine what should

1 be a reasonable level which is peak day use, and  
2 that's why I applied the 20 percent against that, so  
3 it is, I think in one of my responses I called it a  
4 proxy DCN if you will.

5 Q. So it's like a Normand DCN?

6 A. That's the terminology, yes.

7 Q. But it's not necessarily the DCN that's  
8 used in the tariff?

9 A. No, and that's why I said in many  
10 instances, it's inappropriate to use that for  
11 allocations.

12 MR. TROMBLEY: What row are you asking about?  
13 What row of Exhibit 27.3?

14 MS. LIN: Well, specifically I believe  
15 Mr. Normand reflects -- in his rebuttal testimony he  
16 discusses 2008 peak day volume, and when he's  
17 discussing it in relation to 27.3, I think we're just  
18 trying to understand what he meant by, you know, 20  
19 percent of what he means by bank withdrawals at 20,  
20 and I think we've already established that.

21 MR. TROMBLEY: I just didn't know what row you  
22 were on.

1 Q. BY MS. LIN: I'm also going to refer  
2 further down on that page on page 4 of your rebuttal  
3 testimony starting on line 84.

4 Can you read to us what is next to  
5 bank withdrawal rights?

6 A. This is simply applying a 20 percent factor  
7 to the available qualifying transportation volumes.

8 Q. Do you have your response to staff DR DAS  
9 12.01 in front of you?

10 A. Yes, I do.

11 Q. In that response, you state that the  
12 qualifying volumes are the DCN for that day, is that  
13 correct?

14 A. Yes, but that's again the Normand DCN.

15 Q. The Normand DCN.

16 A. That's correct, not the staff's.

17 Q. And not the tariffs either?

18 A. No, not for allocation purposes, no, that  
19 wouldn't be the proper...

20 Q. So not staff DCN, not the tariffs DCN, but  
21 your own DCN?

22 A. That's correct. We're doing allocations.

1 Q. Do you recall when you filed your rebuttal  
2 testimony?

3 A. To be honest with you, no.

4 Q. Subject to check, was it October 23 of  
5 2009?

6 A. Subject to check.

7 Q. And when did you file your surrebuttal  
8 testimony?

9 A. Again...

10 Q. Subject to check, do you remember filing it  
11 on December 2 of 2009?

12 A. That's what the date is on the front.

13 Q. Do you have in front of you your response  
14 to staff DR DAS 7.03?

15 A. Yes, I do.

16 Q. And in your response to staff DR DAS 7.03,  
17 do you address the DCN usage comparison?

18 A. Yes.

19 Q. And again, for clarification, is that the  
20 Normand DCN?

21 A. Well, the question asked if the daily  
22 confirmed nominations were used instead of the total

1 Normand analysis. The total Normand analysis is the  
2 Normand DCN which was done. What was not done in  
3 this answer is the staff's DCN.

4 Q. And not the tariffed DCN?

5 A. Right, which I find inappropriate again for  
6 allocations.

7 Q. Can you go ahead and read that response to  
8 us for the record?

9 A. The answer is unknown. I have not  
10 performed the study or analysis that would be  
11 required in order to respond to the data request.  
12 Consequently, I cannot answer or respond to the data  
13 request.

14 Q. Do you recall when you submitted this  
15 response?

16 A. No.

17 Q. Subject to check, do you recall responding  
18 to it on November 10 of 2009?

19 A. Subject to check.

20 Q. So you hadn't performed this analysis as of  
21 November 10, 2009, correct, according to the response  
22 in the data request?



1 REDIRECT EXAMINATION

2 BY MR. TROMBLEY:

3 Q. Mr. Normand, do you recall staff counsel  
4 asked you whether you assumed that transportation  
5 customers would withdraw gas on a peak day?

6 A. Yes.

7 Q. Must a transportation customer use bank on  
8 peak day?

9 A. No, they don't have to use banks on a peak  
10 day.

11 Q. What is the maximum amount that a  
12 transportation customer can nominate on a day?

13 A. They have, and I think I provided that  
14 information in data responses, but each customer has  
15 an MDCQ, maximum demand contract quantity, and they  
16 can nominate up to that level.

17 Now, that level is pretty sizeable.  
18 It's in order of over three times their actual DCN on  
19 the peak day in 2008, and that's part of my concern  
20 is that the actual DCN is inappropriate to use for  
21 allocations, but they can nominate a fair amount, a  
22 very high amount.

1           Q.    You said that MDCQ was maximum demand  
2 contract quantity?

3           A.    No.   I'm sorry.   Maximum daily contract  
4 quantities.

5           Q.    Staff counsel referred you to the rebuttal  
6 testimony and asked you to read a statement about DCN  
7 being an excellent starting point.

8           A.    Yes.

9           Q.    Is that the ending point, the proper ending  
10 point?

11          A.    No, it's not, and part of my problem is  
12 that what staff has recommended is so removed from  
13 cost allocation that it becomes a big concern to me,  
14 so in the process, I couldn't even begin to use the  
15 number as a valid point for cost allocation.

16                    In looking at that, the problem  
17 becomes that their peak day use is quite a bit larger  
18 than the DCN, but more so, their MDCQ capability is,  
19 as I said, almost three times as large, so that the  
20 problem that you have is you have a storage facility.  
21 It can produce on a peak day so much output.   The  
22 transportation customers can avail themselves to

1 nominate a fairly large amount, and when you apply  
2 the 20 percent to that, it could be a rather  
3 significant percentage of the storage capability. So  
4 that's one side of the problem.

5           The other side is volumetric, and on  
6 the volumetric side, they can store ten times this  
7 large MDCQ. So the problem I have is by carving out  
8 the large percentages for both peak day and  
9 volumetric that the allocation factor needs to  
10 consider both sides of that.

11           I didn't in this case by virtue of the  
12 fact I don't have all the costs. However, if you  
13 look at my allocation to sales customers, in the  
14 allocation to sales customers, which is approximately  
15 a little over 90 percent of the storage facilities,  
16 there I used a 50/50 weighting where I took the sales  
17 customers volumes, I weather normalized them, I took  
18 their peak day use, and I adjusted to a design day  
19 level, and I weighted both 50 percent, and that came  
20 out to be my composite allocator for storage for  
21 sales customers.

22           I didn't have that same information

1 for transportation customers, so I instead developed  
2 what I believe is at least a reasonable allocator as  
3 a first step, and that is, as you correctly pointed  
4 out, the Normand DCN, and that's what I used and  
5 proposed.

6 Q. Okay. Staff counsel asked you to look at  
7 Exhibit 27.3 to your rebuttal testimony.

8 Do you have it in front of you?

9 A. Yes, I do.

10 Q. I believe she asked you about the second  
11 row titled 2008 peak day volume?

12 A. Yes, that's correct.

13 Q. And then she asked you about another row  
14 third from the bottom that's titled bank withdrawal  
15 rights at 20 percent?

16 A. Yes, that's correct.

17 Q. I think if I understood correctly that she  
18 had asked you whether that bottom number for  
19 AmerenCIPS which is 6841 is 20 percent of the 2008  
20 peak day volume.

21 Strike that. Let me ask the question.

22 Is the number in the row titled bank

1 withdrawal rights at 20 percent equal to 20 percent  
2 of the value in the row titled 2008 peak day volume?

3 A. No, it's not. It's the row immediately  
4 above it which is after we have removed all of the  
5 GDS 7 volumes.

6 Q. One last question. This is in your  
7 rebuttal, line 61. That would be your rebuttal  
8 testimony, Exhibit 27.0.

9 Staff counsel asked you to read a  
10 sentence about or asked you about the double counting  
11 of one customer in the AmerenCIPS data.

12 A. I'm sorry. What page are you on?

13 Q. It's at page 3 of Exhibit 27.0.

14 A. Yes.

15 Q. Did you correct the double counting in  
16 Exhibit 27.3?

17 A. Yes, we did.

18 MR. TROMBLEY: That's all I have.

19 JUDGE ALBERS: Any recross?

20 MS. LIN: Just one, Judge.

21 JUDGE ALBERS: Go ahead.

22 MS. LIN: And then depending on what he says

1 obviously.

2

RECROSS-EXAMINATION

3 BY MS. LIN:

4 Q. Mr. Normand, when a customer nominates his  
5 MDCQ and then uses that MDCQ, doesn't it have to use  
6 AIU storage?

7 A. No. His use would have to be above that.  
8 He can nominate up to his MDCQ, but if he wanted to  
9 use storage, he would nominate something less than  
10 that.

11 Q. Right, but when the customer nominates the  
12 MDCQ and then uses all of its MDCQ, does it use AIU  
13 storage?

14 A. No.

15 MS. LIN: Thank you. Nothing further.

16 JUDGE ALBERS: All right. Thank you,  
17 Mr. Normand.

18 (Witness excused.)

19 JUDGE ALBERS: Hearing no objection, then the  
20 exhibits previously identified for Mr. Normand are  
21 admitted into the record.

22

1 (Whereupon Ameren Exhibits 16.0G  
2 thru 16.15G and 27.0 thru 27.7  
3 were admitted into evidence at  
4 this time.)

5 JUDGE ALBERS: The next scheduled witness is  
6 Mr. Underwood.

7 Ready when you are, gentlemen.

8 MR. STURTEVANT: Good afternoon, Mr. Underwood.

9 STEPHEN D. UNDERWOOD

10 called as a witness herein, on behalf of Ameren  
11 Illinois Utilities, having been first duly sworn on  
12 his oath, was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. STURTEVANT:

15 Q. Can you state your full name for the  
16 record, please?

17 A. Stephen D. Underwood; Stephen with a p-h.

18 Q. And what is your business address?

19 A. 370 South Main Street, Decatur, Illinois,  
20 62523.

21 Q. And by whom are you employed?

22 A. Ameren.

1 Q. And what is your position with Ameren?

2 A. Manager of gas storage.

3 Q. Mr. Underwood, I have what has been marked  
4 as Ameren Exhibit 47.0, rebuttal testimony of Stephen  
5 Underwood, Stephen D. Underwood, and accompanying  
6 exhibits, Ameren Exhibits 47.1, 47.2, 47.3, 47.4,  
7 47.5, and 47.6, and I would note for the record that  
8 this rebuttal testimony is in both confidential and  
9 public versions.

10 Did you prepare or direct the  
11 preparation of this rebuttal testimony and exhibits?

12 A. Yes, I did.

13 Q. And if I asked you the questions contained  
14 in your rebuttal testimony today, would your answers  
15 be the same?

16 A. Yes, they would.

17 Q. And is the information contained in your  
18 rebuttal testimony and exhibits true and correct to  
19 the best of your knowledge and belief?

20 A. Yes, it is.

21 Q. And then I also have what has been marked  
22 as Ameren exhibits 63.0 Revised, surrebuttal

1 testimony of Stephen D. Underwood with accompanying  
2 Exhibits 63.1 and 63.2.

3 Mr. Underwood, did you prepare or  
4 direct the preparation of this surrebuttal testimony  
5 and exhibits?

6 A. Yes, I did.

7 Q. And if I were to ask you the questions  
8 contained in your surrebuttal testimony today, would  
9 your answers be the same?

10 A. Yes, they would.

11 Q. And is your surrebuttal testimony and  
12 exhibits true and correct to the best of your  
13 knowledge and belief?

14 A. Yes, it is.

15 MR. STURTEVANT: Your Honor, at this time, we  
16 would move for the admission of Mr. Underwood's  
17 rebuttal testimony and surrebuttal testimony as  
18 previously identified.

19 JUDGE ALBERS: Any objections at this time?

20 Hearing none, we'll go ahead and hear  
21 any cross before we rule on the admissibility.

22 MR. STURTEVANT: We tender Mr. Underwood for

1 cross.

2 JUDGE ALBERS: Thank you.

3 MR. OLIVERO: Good afternoon, Mr. Underwood.

4 My name is Jim Olivero. I represent the staff

5 witnesses of the ICC.

6 I just had a couple questions I wanted

7 to run over with you if you don't mind.

8 CROSS-EXAMINATION

9 BY MR. OLIVERO:

10 Q. Directing your attention to storage fields

11 in general, would you agree that temperatures

12 experienced during the winter season can impact the

13 volume of gas withdrawn from a storage field?

14 A. Yes, they can.

15 Q. So all things being equal, a storage field

16 can withdraw more gas during a colder than normal

17 winter season than a warmer than normal winter

18 season?

19 A. Normally that's the case, yes.

20 MR. OLIVERO: I'm going to show you what is

21 marked Underwood Staff Cross Exhibit No. 1.

22

1 (Whereupon Underwood Staff Cross  
2 Exhibit 1 was marked for  
3 identification as of this date.)

4 Q. Mr. Underwood, do you recognize that  
5 document?

6 A. That is not one I prepared, no.

7 Q. Okay. But are you familiar with the  
8 information contained therein?

9 A. I mean, I can read the DR. I didn't put  
10 the numbers together.

11 Q. Well, let me call your attention to the  
12 second page where it deals with winter season heating  
13 degree days.

14 A. Okay.

15 Q. Do those look familiar to you?

16 A. Once again, I didn't put those numbers  
17 together. I would assume that they're correct.

18 Q. Okay. Well, subject to check, would you  
19 agree that whoever prepared this data request  
20 response provided accurate answers for those winter  
21 season heating degree days?

22 A. Subject to check.

1           Q.    And on that, and again, I'm calling  
2           attention to the second page of that cross exhibit  
3           that I just gave you, that provides Ameren IP's  
4           winter season heating degree days for the winter  
5           seasons 2004-2005 through 2008-2009, correct?

6           MR. STURTEVANT:   Your Honor, I'm going to  
7           object to the line of questioning.   Not only has  
8           Mr. Underwood indicated he's not specifically  
9           familiar with these numbers, but I believe the  
10          questioning is outside the scope of his testimony.

11          MR. OLIVERO:    Your Honor, I think he indicated  
12          that the amount of gas withdrawn from the storage  
13          field is impacted by the weather, and we're just  
14          tying that into the amount of heating degree days  
15          that is reflected in another document.

16          MR. STURTEVANT:   Your Honor, I think that, you  
17          know, the question, given Mr. Underwood's position,  
18          he could answer the question generally about the  
19          operation of gas field, but this particular  
20          information is not information that he's prepared,  
21          it's not information that he's familiar with, and  
22          it's outside the scope of his testimony, so at this

1 point, I believe that the entire line of questioning  
2 is objectionable.

3 JUDGE ALBERS: I'm going to grant Mr. Olivero  
4 some leeway and overrule the objection at this time  
5 until I see where you're going, and if Mr. Underwood  
6 knows the answer, he can provide it.

7 MR. OLIVERO: Do you need me to repeat the  
8 question, Mr. Underwood?

9 THE WITNESS: Yes, sir.

10 Q. I was just basically on that page 2. That  
11 provides the winter season heating degree days for  
12 winter seasons 2004-2005 through 2008-2009, correct?

13 A. That's what it says, yes.

14 Q. All right. And would you also agree that  
15 the number of, for the winter season 2005-2006, the  
16 number of heating degree days that AmerenIP  
17 experienced increased each winter season through  
18 2008-2009?

19 A. That's what it says.

20 Q. And would you also agree that AmerenIP  
21 experienced a higher number of heating degree days in  
22 the winter season 2008-2009 than 2007-2008, and that

1 meant that AmerenIP experienced colder temperatures  
2 for the winter season in 2008-2009?

3 A. That would be correct.

4 MR. OLIVERO: Mr. Underwood, I'm going to show  
5 you what's been marked Underwood staff cross 2.

6 (Whereupon Underwood Staff Cross  
7 Exhibit 2 was marked for  
8 identification as of this date.)

9 Q. Do you recognize that document? I believe  
10 it's a data request response ENG 3.07.

11 A. Yes, I do.

12 Q. And you're familiar with the answer?

13 A. Yes, I am.

14 Q. Would you agree that this response  
15 indicates the volume of gas withdrawn from the  
16 Hillsboro storage field for the winter seasons  
17 2004-2005 through 2008-2009?

18 A. Yes.

19 Q. And also, looking at that exhibit, would  
20 you agree that the 2004-2005 withdrawal season, the  
21 Hillsboro withdrawal levels from 2008-2009 were the  
22 lowest experienced?

1           A.    Yes.

2           Q.    And actually, just for a moment, could you  
3 refer back to Underwood Cross Exhibit No. 1?  I'm  
4 sorry.

5                         Would you agree that AmerenIP  
6 experienced the highest number of heating degree days  
7 for the last five winter seasons in 2008-2009?

8           A.    Yes.

9           Q.    And, Mr. Underwood, do you recall meeting  
10 with the staff sometime on or about September 2, 2009  
11 to discuss the latest studies that Ameren had  
12 conducted at the Hillsboro storage field?

13          A.    I remember the meeting.  I don't remember  
14 the specific date.

15          Q.    Around that time frame?

16          A.    Sounds right.

17          MR. OLIVERO:  I'm going to show you what is  
18 marked Underwood Staff Cross Exhibit 3.

19                                 (Whereupon Underwood Staff Cross  
20                                 Exhibit 3 was marked for  
21                                 identification as of this date.)

22          Q.    I'd ask you to take a look at that.  Do you

1 recognize that document?

2 A. Yes, I do.

3 Q. And are you familiar with that?

4 A. Yes, I am.

5 Q. Would you agree that this was a handout  
6 that was provided by you and other storage personnel  
7 from Ameren during that meeting, whatever date it was  
8 in September?

9 A. Well, subject to check. There's a lot of  
10 data here, but generally glancing at it, it looks  
11 like.

12 Q. And if I could just draw your attention to  
13 page 20, the first box or slide where it has peak day  
14 test results summary draft?

15 A. Yes.

16 Q. Would you indicate that or would you agree  
17 that this slide indicates that AmerenIP did not  
18 conduct peak day testing for the Hillsboro storage  
19 field in 2007 due to H<sub>2</sub>S?

20 A. That's correct.

21 Q. And would you agree that that third line  
22 referencing 2007 is related to the 2006-2007 winter

1 season?

2 A. Yes.

3 Q. And would you agree that the H<sub>2</sub>S condition  
4 that AmerenIP experienced at its Hillsboro storage  
5 field during the winter season 2006-2007 negatively  
6 impacted the volume of gas that AmerenIP could  
7 withdraw from the Hillsboro storage field?

8 A. Yes.

9 Q. And would you also the agree that the slide  
10 indicates AmerenIP did not conduct a peak day testing  
11 of the Hillsboro storage field in 2009 due to high  
12 drawdown pressure?

13 A. That's correct.

14 Q. All right. And could you just briefly  
15 explain what high drawdown pressure means?

16 A. What that is is we have a limit as the  
17 difference between the reservoir pressure and the  
18 transmission pressure, so we have a limit as to the  
19 amount of pressure so that we don't damage the well  
20 facilities.

21 Q. Okay. And just, again, for clarification,  
22 in that fifth line of that slide for 2009, that

1 reference to 2009 is the 2008-2009 winter season,  
2 correct?

3 A. Yes.

4 Q. And then, just finally, would you agree  
5 that the high drawdown pressure that AmerenIP  
6 experienced at the Hillsboro storage field during the  
7 2008-2009 winter season negatively impacted volume of  
8 gas that AmerenIP could withdraw from the Hillsboro  
9 storage field?

10 A. Not necessarily. That's just a peak day.  
11 It's not a volumetric.

12 MR. OLIVERO: I have no other questions, Your  
13 Honor.

14 JUDGE ALBERS: Were you going to ask for the  
15 admission of your cross exhibits?

16 MR. OLIVERO: We're going to ask to admit cross  
17 Exhibit 1 and 2, not 3.

18 JUDGE ALBERS: Any objection to the cross  
19 exhibits?

20 MR. STURTEVANT: Your Honor, I guess I will  
21 just renew my objection to Cross Exhibit 1 due to the  
22 witness's expressed unfamiliarity with the exhibit.

1 JUDGE ALBERS: Okay. Any further response?

2 MR. OLIVERO: No response, Your Honor. I mean,  
3 I think he indicated that subject to check he could  
4 check. The figures were really all that we were  
5 trying to get.

6 JUDGE ALBERS: On page 2 there?

7 MR. OLIVERO: Correct.

8 JUDGE ALBERS: Okay. You're not offering Cross  
9 Exhibit 3?

10 MR. OLIVERO: That's correct.

11 JUDGE ALBERS: Okay. All right. The record  
12 will reflect your objection, but I'll go ahead and  
13 admit Underwood Staff Cross Exhibits 1 and 2.

14 (Whereupon Underwood Staff Cross  
15 Exhibits 1 and 2 were admitted  
16 into evidence at this time.)

17 JUDGE ALBERS: I don't think anyone else had  
18 questions for Mr. Underwood.

19 Do you have any redirect?

20 MR. STURTEVANT: I'd like, if you wouldn't  
21 mind, Your Honor, to have a few minutes with my  
22 witness.

1 JUDGE ALBERS: Sure.

2 (Pause)

3 JUDGE ALBERS: Did you have redirect?

4 MR. STURTEVANT: I do have redirect, Your  
5 Honor.

6 JUDGE ALBERS: Okay.

7 REDIRECT EXAMINATION

8 BY MR. STURTEVANT:

9 Q. Mr. Underwood, do you recall in your  
10 cross-examination discussing the impact that heating  
11 degree days would have on withdrawal levels?

12 A. Yes, I do.

13 Q. And can you explain in more detail how  
14 heating degree days affect withdrawal levels in a  
15 storage field?

16 A. Yes. When speaking about the total amount  
17 of gasses withdrawn from a storage, you also have to  
18 consider when those heating degree days occur. If  
19 it's more towards the beginning of the season,  
20 total-wise you're going to get less withdrawn out of  
21 the field. So it depends on...

22 JUDGE ALBERS: I didn't catch that last part

1 there. Would you say it again, please?

2 THE WITNESS: The total withdrawals from the  
3 storage field can change, and that's just the one  
4 factor.

5 Also, you know, how gas supply,  
6 purchase of gas and prices and so forth can also have  
7 an impact on the total amount withdrawn from storage.

8 MR. STURTEVANT: Okay. Thank you,  
9 Mr. Underwood. And then one other question.

10 Q. You recall looking at what was marked as  
11 Underwood Staff Cross Exhibit 3?

12 A. Yes.

13 Q. Specifically page 20. And do you recall  
14 the discussion regarding no peak day testing in 2007  
15 due to H<sub>2</sub>S?

16 A. Yes, I do.

17 Q. Can you explain further why there was no  
18 peak day test in 2007 due to H<sub>2</sub>S?

19 A. Yes. In 2007-2008, or actually 2006-2007,  
20 pardon me, that was the year that we had an H<sub>2</sub>S level  
21 rise in the field, and to maintain the mandated H<sub>2</sub>S  
22 level that we're allowed to distribute to the system,

1 we limit the amount of gas that we're going to -- we  
2 did not do the test, so we did not endanger going  
3 over that level.

4 MR. STURTEVANT: I have no further questions,  
5 Your Honor.

6 JUDGE ALBERS: I had two clarifying questions  
7 before I give staff a chance to recross.

8 EXAMINATION

9 BY JUDGE ALBERS:

10 Q. Just for my own edification, why would the  
11 H<sub>2</sub>S level increase?

12 A. Hillsboro has a phenomenon of, there's a  
13 bacteria in the field that one of the byproducts is  
14 H<sub>2</sub>S, and we are monitoring those particular levels,  
15 and it increased significantly in that particular  
16 year.

17 Q. Okay. And then going back to the first  
18 question Mr. Sturtevant asked you, did i hear you  
19 correctly when you said that the volume of  
20 withdrawals is impacted when the heating degree days  
21 occurred?

22 A. Yes.

1 Q. Would you explain that a little more for  
2 me?

3 A. Yeah, sure.

4 In operating a storage field, we do  
5 hold back a certain amount of volumes up to  
6 January 31st to protect for peak day. So if your  
7 degree days come more towards the beginning of the  
8 season, we don't actually withdraw gas to the level  
9 of degree days. We have to hold back some of that  
10 volume so we can protect peak day, and so if you have  
11 your cold days before that time, you're going to  
12 withdraw less than if you start having cold days  
13 after that time period when we don't have to hold  
14 back anymore.

15 Q. Oh, okay. So you might get your gas from  
16 some other source than then besides storage?

17 A. Yes, correct.

18 JUDGE ALBERS: All right. Thank you.

19 MR. OLIVERO: Just briefly Mr. Underwood.

20 RE-CROSS-EXAMINATION

21 BY MR. OLIVERO:

22 Q. Do you know when the heating degree days

1 took place in the winter season 2008-2009?

2 A. Not off the top of my head I don't.

3 Q. Do you know approximately?

4 A. No.

5 MR. OLIVERO: All right. No further questions.

6 JUDGE ALBERS: Okay. Thank you.

7 Any objection then to Mr. Underwood's  
8 testimony?

9 Hearing none, then the previously  
10 identified exhibits for Stephen Underwood are  
11 admitted into the record.

12 (Whereupon Ameren Exhibits 47.0  
13 thru 47.6, 63.0 Revised, 63.1  
14 and 63.2 were admitted into  
15 evidence at this time.)

16 (Witness excused.)

17 JUDGE ALBERS: Thank you, Mr. Underwood.

18 That was the last scheduled witness  
19 for the day.

20 Is there any desire or effort to put  
21 anyone else's testimony into the record today?

22 Please say yes.

1 MR. KENNEDY: No, unfortunately not.

2 MR. STURTEVANT: We don't have any other  
3 witnesses that are ready to go forward at this point,  
4 Your Honor.

5 JUDGE ALBERS: Any affidavits?

6 MR. KENNEDY: Not prepared at this moment. We  
7 have discussed with the parties moving the schedule  
8 so that everyone is either going to go Wednesday or  
9 Thursday, so we'll try to get that accomplished. We  
10 think we can.

11 MS. LIN: We're going to wait to hear from Bill  
12 Streeter. He's calling to confirm that Mr. Adkisson  
13 can go on Thursday, and then Stephens and Stowe.  
14 Eric Robertson has already indicated that they would  
15 be willing to go on Thursday instead, so those are  
16 the only three witnesses scheduled for Friday I  
17 believe.

18 JUDGE ALBERS: Okay. So we're still looking at  
19 hopefully cutting Friday off the schedule.

20 MS. LIN: More than hopeful.

21 JUDGE ALBERS: Okay. All right. Does anybody  
22 know if Mr. Balough will be here tomorrow?

1           MR. KENNEDY:  The companies have been  
2           communicating with him, and we've talked to staff  
3           about when he could testify by telephone on Thursday,  
4           and we propose to have him go right after Ms. Ebrey.  
5           She would go first.  I guess we can talk off the  
6           record about how to call in.

7           JUDGE ALBERS:  Yeah, that's fine.

8                        Okay.  Anything else for the record  
9           today then?

10          MR. STURTEVANT:  9 o'clock tomorrow morning?

11          JUDGE ALBERS:  Yes, 9 o'clock tomorrow morning  
12          here in Room B.  Okay.

13                       If nothing further, we're continued to  
14          9 o'clock tomorrow.

15                               (Whereupon the hearing was  
16                               continued to December 16, 2009  
17                               at 9:00 a.m.)

18

19

20

21

22