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BEFORE THE

ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION,)	
On its own motion,)	
)	DOCKET NO.
-vs-)	02-0729
)	
UNION ELECTRIC COMPANY)	
)	
)	
Reconciliation of revenues)	
collected under gas adjustment))	
charges with actual costs)	
prudently incurred.)	

August 28, 2003

Springfield, Illinois

Met, pursuant to notice, at 9:00 a.m.

BEFORE:

MR. LARRY JONES, Administrative Law Judge

APPEARANCES:

MR. THOMAS M. BYRNE
1901 Chouteau Avenue
St. Louis, Missouri 63103

(Appearing on behalf of Union
Electric Company)

SULLIVAN REPORTING CO., by
Carla J. Boehl, Reporter
Ln. # 084-002710

1 APPEARANCES:

(CONT'D.)

2 MS. THERESA EBREY
3 527 East Capitol Avenue
4 Springfield, Illinois

5 (Appearing on behalf of the
6 Accounting Department, the Financial
7 Analysis Division of the Illinois
8 Commerce Commission)

9 MR. ERIC LOUNSBERRY
10 527 East Capitol Avenue
11 Springfield, Illinois

12 (Appearing on behalf of the Energy
13 Division, Engineering Department of
14 the Illinois Commerce Commission)

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PROCEEDINGS

(Whereupon AmerenUE Exhibits 5.0 and 5.0 Proprietary were marked for purposes of identification as of this date.)

JUDGE JONES: On the record. At this time I call for hearing Docket Number 02-0729. This is the matter of the Illinois Commerce Commission on its own motion versus Union Electric Company. This is a reconciliation of revenues collected under gas adjustment charges with actual costs prudently incurred.

Would the parties please enter your appearances for the record.

MR. BYRNE: Yes, Your Honor. My name is Thomas M. Byrne and I am representing Union Electric Company doing business as AmerenUE. My address is 1901 Chouteau Avenue, St. Louis, Missouri 63103 and my telephone number is area code (314) 554-2514.

JUDGE JONES: Thank you. Commission Staff?

1 MS. EBREY: Theresa Ebrey appearing on behalf
2 of the Financial Analysis Division of the Illinois
3 Commerce Commission, 527 East Capitol Avenue,
4 Springfield, Illinois 62701 and my business phone is
5 area code (217) 785-1045.

6 MR. LOUNSBERRY: Eric Lounsberry appearing on
7 behalf of the Engineering Department of the Energy
8 Division of the Illinois Commerce Commission. My
9 business address is 527 East Capitol Avenue,
10 Springfield, Illinois 62701. My phone number is
11 area code (217) 785-5436.

12 JUDGE JONES: Thank you. Are there any other
13 appearances? Let the record show there are not.

14 I believe the Company is ready to proceed,
15 is that correct, Mr. Byrne?

16 MR. BYRNE: Yes, Your Honor. First of all, I
17 would like to offer AmerenUE Exhibit Number 1.0
18 which is the direct testimony of Van R. Robinson
19 which was filed on April 2, 2003, and Mr. Robinson
20 filed an affidavit so I would offer that into the
21 record.

22 JUDGE JONES: That would include all of the

1 schedules that are attached to that?

2 MR. BYRNE: Yes, Your Honor. Again, there are
3 four schedules attached to Mr. Robinson's direct
4 testimony so I would also offer those four
5 schedules.

6 JUDGE JONES: Thank you. Any objection?

7 MS. EBREY: No.

8 JUDGE JONES: Let the record show that AmerenUE
9 Exhibits 1.0, including the four schedules attached
10 thereto, is hereby admitted into the evidentiary
11 record as filed electronically on April 2, 2003.
12 That's shown as files 1 through 6 in that filing
13 under the description of Testimony Exhibits of Union
14 Electric Company.

15 (Whereupon AmerenUE
16 Exhibit 1.0 was admitted
17 into evidence.)

18 MR. BYRNE: Okay, Your Honor. I would then
19 call to the witness stand James J. Massman.

20 JUDGE JONES: Sir, please raise your right hand
21 and be sworn.

22 (Whereupon the Witness was duly sworn

1 by Judge Jones.)

2 **JAMES J. MASSMAN**

3 called as a Witness on behalf of Union Electric
4 Company, having been first duly sworn, was examined
5 and testified as follows:

6 DIRECT EXAMINATION

7 BY MR. BYRNE:

8 **Q.** Mr. Massman, can you please give your name and
9 business address.

10 **A.** My name is James J. Massman. My business
11 address is 1901 Chouteau Avenue, St. Louis, Missouri
12 63103.

13 **Q.** By whom are you employed, Mr. Massman?

14 **A.** I am employed in the Natural Gas Supply
15 Transportation - Director and the Natural gas supply
16 Transportation Department of Ameren Energy Fuels and
17 Services Company.

18 **Q.** And are you the same James J. Massman that
19 caused to be filed in this proceeding a direct
20 testimony which has been marked as AmerenUE Exhibit
21 Number 2.0 and includes -- which includes no
22 schedules?

1 **A.** Yes, I am.

2 **Q.** And has that testimony been filed in a
3 proprietary and a non-proprietary version?

4 **A.** Yes, it has.

5 **Q.** And is the information contained in that
6 prefiled direct testimony true and complete to the
7 best of your knowledge and belief?

8 **A.** Yes, it is.

9 **Q.** Mr. Massman, if I was to ask you the questions
10 contained in that prefiled direct testimony here
11 today when you are under oath, would your answers be
12 the same as contained therein?

13 **A.** Yes, they would.

14 MR. BYRNE: With that, Your Honor, I would
15 offer AmerenUE Exhibit Number 2.0 in its
16 confidential and non-confidential versions into
17 evidence and tender Mr. Massman for cross
18 examination.

19 JUDGE JONES: Any objection?

20 MR. LOUNSBERRY: No.

21 JUDGE JONES: Let the record show that AmerenUE
22 Exhibit 2.0 and 2.0 Proprietary filed by Mr. Massman

1 on April 2, 2003, are admitted into the evidentiary
2 record as filed electronically. As noted, there is
3 both a public and a proprietary. There are public
4 and proprietary versions of that testimony being
5 admitted into the evidentiary record.

6 (Whereupon AmerenUE
7 Exhibits 2.0 and 2.0
8 Proprietary were
9 admitted into evidence.)

10 EXAMINATION

11 BY JUDGE JONES:

12 **Q.** Mr. Massman, I just have a few questions for
13 you. Now, your testimony was prepared in April, is
14 that correct?

15 **A.** Yes, it is, Your Honor.

16 **Q.** In that testimony among other things you
17 describe various transportation and storage and
18 supply services and products available to the
19 Company, is that correct?

20 **A.** Yes.

21 **Q.** Have there been any changes in any of those
22 arrangements since you prepared that testimony in

1 April?

2 **A.** No, Your Honor.

3 **Q.** Mr. Massman, I just want to ask you about a few
4 of the terms that you use here and there in your
5 testimony. For example, on page 12, line 217 among
6 other places, you use the term swing gas. Do you
7 see that term?

8 **A.** Page 12, 217?

9 **Q.** Yes, sir. At least that's where it is at on
10 the copy that I have in front of me.

11 **A.** Oh, swings.

12 **Q.** Swing gas, right?

13 **A.** Yes, sir.

14 **Q.** Do you see that term there?

15 **A.** Yes.

16 **Q.** Could you explain what you mean by the term
17 swing gas and the context that you use it in your
18 testimony?

19 **A.** Yes. Swing gas is when we purchase a package
20 of gas from a supplier where we have the option of
21 varying the volumes on a daily basis. For example,
22 we may have the ability to call on 10,000 MMBTU per

1 day. We have the right to elect to call either zero
2 or any amount between zero and 10,000.

3 **Q.** How does that differ from base load gas?

4 **A.** With base load gas we have the same volume each
5 day and we do not have the right to change those
6 volumes.

7 **Q.** Now, at various places in your testimony you
8 use the term hedging. Among other places that
9 appears on line 233 of page 13. Do you see that
10 reference?

11 **A.** No, I don't but I am sure it is in the
12 testimony.

13 **Q.** When you use the term hedging, could you
14 explain what you mean by the use of that term?

15 **A.** It is generally providing a price protection.
16 In some cases we will have a fixed price where we
17 are not subject to the market price changes. In
18 other cases we may have a price cap where the
19 supplier will guarantee that they will provide the
20 gas up to a certain price and will not exceed that
21 price. There is other options where we would have a
22 collar which has a cap and a floor on it.

1 **Q.** What is the purpose of using hedging
2 techniques?

3 **A.** It is intended to try to reduce the volatility
4 of the gas prices.

5 **Q.** Now, you have used the term collar or costless
6 collar. Could you explain what you mean by that
7 term, please?

8 **A.** Yes. In situations where we purchase gas from
9 a supplier, we may have the gas price based on an
10 index such as inside FERC, first of the month price
11 or a gap daily price. Those prices can vary
12 significantly over the period. We have often
13 purchased costless collars in which we will have a
14 cap on the price. The supplier will guarantee that
15 the price will not be above a certain level. But in
16 a costless collar we also give up the floor in that
17 where we will agree to not pay less than a certain
18 price.

19 **Q.** And why is that referred to as a costless
20 collar?

21 **A.** The premiums offset each other. There is a
22 premium that you pay to allow the gas to be capped.

1 When you provide a floor, which is the minimum that
2 you will pay for the gas, you are giving up a value
3 there so the supplier is receiving a premium for
4 that. Those two premiums cancel themselves out. So
5 the premium that you pay for the cap is offset by
6 the premium that you give up for the floor.

7 **Q.** On page 14 of your testimony, line 265, you use
8 the term no notice storage withdrawals. Do you see
9 that reference?

10 **A.** Yes.

11 **Q.** Could you explain what you mean by that,
12 please?

13 **A.** Within the pipelines the shipper is required to
14 balance each day. The nomination of gas that they
15 provide on the pipeline must equal the amount of gas
16 that is taken off the pipeline on each day. In most
17 states a forecast has some inaccuracy, in which case
18 the gas that is -- amount of gas that is actually
19 purchased and supplied will be different than the
20 amount of gas that is actually taken. That
21 difference or imbalance could be where we leave gas
22 on the pipe or we take additional gas from the pipe.

1 The no notice service provides a storage service
2 that will automatically credit or debit your storage
3 inventory to clear out those imbalances. The
4 storage service also provides large volumes for us
5 to maintain an inventory that we can use through the
6 winter time.

7 **Q.** Why do you call it no notice?

8 **A.** The no notice feature is where you do not have
9 to nominate on a daily basis the amount of gas that
10 you need to handle that imbalance. It automatically
11 comes out of the storage.

12 JUDGE JONES: Thank you. Any follow-up
13 questions?

14 MR. BYRNE: No, Your Honor.

15 JUDGE JONES: Thank you, Mr. Massman. That's
16 all the questions there are for you. Thank you.

17 (Witness excused.)

18 Other exhibits?

19 MR. BYRNE: Yes, I would offer an exhibit that
20 has been marked AmerenUE Exhibit 3.0 which was
21 electronically filed on August 26, 2003, and it
22 consists of the certificates of publication

1 evidencing the fact that notice of this proceeding
2 was published in compliance with the Commission's
3 rules. So I would offer that exhibit.

4 JUDGE JONES: Any objection?

5 MR. LOUNSBERRY: No.

6 MS. EBREY: No.

7 JUDGE JONES: Let the record show that Ameren
8 Exhibit 3.0 consisting of certificates of
9 publication filed electronically on August 26, 2003,
10 is admitted into the evidentiary record. That's
11 shown as file number 1, description Proof of
12 Publication of Union Electric Company in the
13 e-Docket system.

14 (Whereupon AmerenUE
15 Exhibit 3.0 was admitted
16 into evidence.)

17 MR. BYRNE: Next, Your Honor, I would like to
18 offer what has been marked as AmerenUE Exhibit 4.0
19 which is a copy of Staff data requests GS-9 and
20 GS-10 along with the Company's responses to those
21 data requests and those data requests deal with
22 affiliate transactions and they were electronically

1 filed on August 27, 2003.

2 JUDGE JONES: Any objection?

3 MS. EBREY: No.

4 MR. LOUNSBERRY: No.

5 JUDGE JONES: Let the record show AmerenUE
6 Exhibit 4.0 identified and filed in the manner just
7 described by Mr. Byrne is admitted into the
8 evidentiary record.

9 (Whereupon AmerenUE
10 Exhibit 4.0 was admitted
11 into evidence.)

12 MR. BYRNE: And finally, Your Honor, I would
13 like to offer what has been marked as AmerenUE
14 Exhibit Number 5.0 which was not filed
15 electronically but a hard copy was marked by the
16 court reporter here today and that consists of Staff
17 data requests and Company responses in the ENG
18 series in this case. There is a proprietary and a
19 non-proprietary version of those questions and
20 responses. So I would offer AmerenUE Exhibit Number
21 5.0 into the record.

22 JUDGE JONES: Any objection?

1 MS. EBREY: No.

2 MR. LOUNSBERRY: No.

3 JUDGE JONES: Let the record show AmerenUE
4 Exhibit 5.0 and 5.0 Proprietary are admitted into
5 the evidentiary record. They are hard copy
6 exhibits. As Mr. Byrne has noted they have been
7 stamped and initialed by the court reporter.

8 (Whereupon AmerenUE
9 Exhibit 5.0 and 5.0
10 Proprietary were
11 admitted into evidence.)

12 If certain portions of 5.0 are removed from
13 it, is there any objection to that?

14 MR. BYRNE: No, Your Honor.

15 JUDGE JONES: Thank you. Does that conclude
16 the Company's presentation?

17 MR. BYRNE: Yes.

18 JUDGE JONES: Apparently we have a couple of
19 Staff witnesses to be sworn, one for the second time
20 this morning.

21 (Whereupon the Witnesses were duly
22 sworn by Judge Jones.)

1 Who would like to lead off?

2 MS. EBREY: I will.

3 **THERESA EBREY**

4 called as a Witness on behalf of the Illinois
5 Commerce Commission, having been first duly sworn,
6 was examined and testified as follows:

7 NARRATIVE TESTIMONY

8 BY MS. EBREY: My name is Theresa Ebrey. I am
9 an accountant in the Accounting Department of the
10 Financial Analysis Division of the Illinois Commerce
11 Commission. I prepared a document marked as ICC
12 Staff Exhibit 1.00 entitled Direct testimony of
13 Theresa Ebrey consisting of three pages of text
14 which was filed on the e-Docket system on August 21,
15 2003. I have no corrections to make to that
16 prefiled testimony. If I were to be asked the same
17 questions today, my responses would be the same. I
18 offer this document for admission into the record.

19 JUDGE JONES: Okay. Thank you. Any objection?

20 MR. BYRNE: No, Your Honor.

21 JUDGE JONES: Let the record show that Staff
22 Exhibit 1.00 filed electronically as Ms. Ebrey has

1 noted on August 21, 2003, is admitted into the
2 evidentiary record. Is there an attachment to that
3 document?

4 MS. EBREY: No, there is no schedules
5 (Whereupon ICC Staff
6 Exhibit 1.00 was
7 admitted into evidence.)

8 JUDGE JONES: Mr. Lounsberry.

9 **ERIC LOUNSBERRY**

10 called as a Witness on behalf of the Illinois
11 Commerce Commission, having been first duly sworn,
12 was examined and testified as follows:

13 NARRATIVE TESTIMONY

14 BY MR. LOUNSBERRY: My name is Eric Lounsberry.
15 I am the supervisor of the Gas Section in the
16 Engineering Department of the Energy Division of the
17 Illinois Commerce Commission. I am presenting Staff
18 Exhibit 2.00 entitled Direct Testimony of Eric
19 Lounsberry which was filed on e-Docket on August 21,
20 2003. It consists of a cover page and three pages
21 of written testimony. If I were asked the same
22 questions today, the answers would be the same. I

1 have no changes, additions or corrections to this
2 exhibit. I am offering Staff Exhibit 2.00 for
3 admittance into the record in this proceeding.

4 JUDGE JONES: Thank you. Objections?

5 MR. BYRNE: None, Your Honor.

6 JUDGE JONES: Let the record show that
7 Mr. Lounsberry's direct testimony identified as he
8 noted as ICC Staff Exhibit 2.00 is admitted into the
9 evidentiary record as filed electronically on August
10 21, 2003.

11 (Whereupon ICC Staff
12 Exhibit 2.00 was
13 admitted into evidence.)

14 I think that's it except for some
15 post-hearing matters. Maybe to save a little time,
16 do any of the parties have any comments or
17 objections with respect to any of the post-hearing
18 scheduling or to use of any of the post-hearing
19 scheduling that was put into place in Docket
20 02-0718?

21 MR. BYRNE: No, Your Honor.

22 JUDGE JONES: So the same post-hearing

1 scheduling adopted in 02-0718 is hereby adopted in
2 the instant proceeding. One feature of that is that
3 the Company will be filing a suggested order on
4 September 26, 2003. That will be filed
5 electronically. A copy should be provided to me in
6 Word format. Certain other information that was
7 agreed to be filed in 02-0718 will be submitted in
8 this docket also on the same date. Other comments
9 relating to proprietary information that were made
10 in the other docket are also applicable here.

11 I think that's it. Anything else?

12 MR. LOUNSBERRY: No.

13 MR. BYRNE: No.

14 JUDGE JONES: Let the record show this hearing
15 concluded, and subject to the post-hearing
16 scheduling, this matter is hereby marked heard and
17 taken.

18 HEARD AND TAKEN
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