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BEFORE THE
ILLINOIS COMMERCE COMMISSION

IN THE MATTER OF:)
ILLINOIS COMMERCE COMMISSION)
on its own motion)
vs) 02-0712
MIDAMERICAN ENERGY COMPANY)
Reconciliation of revenues)
collected under fuel adjustment)
charges with actual costs)
prudently incurred)

Chicago, Illinois
September 22, 2003

Met, pursuant to notice.

BEFORE:
MR. IAN BRODSKY, Administrative Law Judge.

APPEARANCES:
(Telephonically)
MS. KAREN M. HUIZENGA
MR. ROBERT JARED
106 East Second Street
Davenport, IA 52801
for MidAmerican Energy Company.

ALSO PRESENT:
Mr. Brian Sant (Telephonically)
Mr. Ronald Linkenback (Telephonically)

SULLIVAN REPORTING COMPANY, by
MICHAEL R. URBANSKI, C.S.R.,
License No. 084-003270

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I N D E X

Witnesses:

PAUL E. FREUND

MS. HUIZENGA:
48
JUDGE BRODSKY:
50

DIANE M. NOLL

MS. HUIZENGA:
53
JUDGE BRODSKY:
56
MS. HUIZENGA:
58

DAVID C. TUBBS

MS. HUIZENGA:
60
JUDGE BRODSKY:
62

RONALD LINKENBACK

JUDGE BRODSKY:
65

BRIAN SANT

JUDGE BRODSKY:
68

E X H I B I T S

APPLICANT'S For Identification In Evidence
MidAmerican

Exhibit No. 1 was admitted.....
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Exhibit No. 2.0 was admitted.....
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1 Exhibit No. 4.0 was admitted..... 60

2 Exhibit No. 3.0 was admitted..... 62

3 Staff

4 Exhibit No. 2.0 was admitted..... 66

5 Exhibit No. 1.0 was admitted..... 68

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1 JUDGE BRODSKY: Pursuant to the authority of
2 the Illinois Commerce Commission I now call
3 Docket 02-0712. This is Illinois Commerce
4 Commission on its own motion versus MidAmerican
5 Energy Company, and it is a reconciliation of
6 revenues collected under fuel adjustment charges
7 with actual costs prudently incurred.

8 May I have the appearances for the
9 record, please.

10 MS. HUIZENGA: Karen M. Huizenga and Robert C.
11 Jared appearing on behalf of MidAmerican Energy
12 Company, 106 East Second Street, Davenport, Iowa,
13 52801.

14 MR. BRIAN SANT: Bryan Sant appearing on
15 behalf of the accounting department of the
16 financial analysis division of the Illinois
17 Commerce Commission, 527 --

18 MR. RONALD LINKENBACK: Ron Linkenback of
19 Illinois Commerce Commission staff.

20 JUDGE BRODSKY: Okay. Are there any other
21 appearances today?

22 Hearing none, let the record reflect

1 that this is the evidentiary hearing on this
2 matter.

3 And it is my understanding that there
4 are no longer any contested issues; is that
5 correct?

6 MS. HUIZENGA: That is correct.

7 MR. BRIAN SANT: That is correct.

8 JUDGE BRODSKY: Okay. I had had a couple of
9 questions and so I think what the easiest way to
10 do this will be for MidAmerican to go first and
11 then staff and go ahead and call your witnesses
12 and I will ask whatever clarifying questions I
13 may have.

14 Is that all right?

15 MS. HUIZENGA: Would you like us to go through
16 the regular questions in the direct to get the
17 testimony entered or shall we do it by affidavit?

18 JUDGE BRODSKY: Well, since we're here today,
19 we may as well go ahead and just do the questions
20 and get it entered.

21 MS. HUIZENGA: Okay. Great. MidAmerican
22 calls Paul E. Freund.

1 PAUL E. FREUND,
2 having been called as a witness herein, after
3 having been first duly sworn, was examined and
4 testified as follows:

5 DIRECT EXAMINATION

6 BY

7 MS. HUIZENGA:

8 Q. Mr. Freund, please state your name and
9 business address for the record.

10 A. Paul E. Freund. Business address is One
11 River Center Place, 106 East Second Street,
12 Davenport, Iowa, 52801.

13 Q. By whom are you employed and in what
14 position?

15 A. MidAmerican Energy Company, and I am the
16 vice president fuel trading and transportation.

17 Q. Mr. Freund, do you have before you
18 MidAmerican Exhibit No. 1.0, Docket No. 02-0712,
19 the direct testimony of Paul E. Freund?

20 A. Yes, I do.

21 Q. Is this the direct testimony prepared by
22 you for this proceeding?

1 A. Yes.

2 Q. Do you have any additions or corrections
3 to this direct testimony?

4 A. No, I do not.

5 Q. Is it true and correct to the best of your
6 knowledge and belief?

7 A. I didn't hear you, Karen.

8 Q. I'm sorry.

9 Is it true and correct to the best of
10 your knowledge and belief?

11 Are you still not hearing me?

12 A. Yes, it is.

13 Q. Okay. If I ask you these questions today,
14 would your answers under oath be the same?

15 A. Yes.

16 MS. HUIZENGA: MidAmerican moves the admission
17 of the direct testimony of Paul E. Freund
18 MidAmerican Exhibit No. 1.0.

19 JUDGE BRODSKY: Is there any objection?

20 Hearing none, then MidAmerican Exhibit
21 1.0 will be admitted subject to further
22 questions.

1 (Whereupon, MidAmerican
2 Exhibit No. 1 was admitted
3 into evidence.)

4 JUDGE BRODSKY: Does staff have any further
5 questions for the witness?

6 MR. BRIAN SANT: No, we do not.

7 JUDGE BRODSKY: Okay. I had a question.

8 EXAMINATION

9 BY

10 JUDGE BRODSKY:

11 Q. Mr. Freund, I want to ask you a question
12 about the sulfur dioxide emission allowances.

13 I understand what the program is but I
14 just wanted you to clarify for me something that
15 was in your direct at the top of Page 5.

16 A. Are you still there?

17 Q. Yeah, I'm here. I was just giving you a
18 minute to turn to that.

19 What I'm looking at is you say
20 MidAmerican reinvested proceeds received from the
21 U.S. environmental Protection Agency's annual
22 allowance auction by purchasing additional

1 allowances.

2 Again, I'm familiar with what the EPA
3 auction is, but what proceeds are being either
4 reinvested or where are they coming from if
5 they're going towards the purchase of additional
6 allowances?

7 A. The proceeds are coming from the auction
8 itself.

9 What the EPA did is they took away some
10 of our allowances for the auction. So when they
11 auction those off, we get the money that they get
12 from those auction proceeds and then we take
13 those proceeds and we reinvest them to purchase
14 more allowances.

15 JUDGE BRODSKY: Okay. Very good. That was my
16 only question.

17 Is there anything further for the
18 witness?

19 MR. BRIAN SANT: No, your Honor.

20 JUDGE BRODSKY: Okay. Did the company have
21 any redirect?

22 MS. HUIZENGA: No, it does not.

1 JUDGE BRODSKY: Okay. All right. Thank you,
2 Mr. Freund, you are excused.

3 Actually, Mr. Freund, before you go, did
4 we swear you in? I don't believe we did.

5 MS. HUIZENGA: I don't believe we did.

6 JUDGE BRODSKY: Okay. Mr. Freund, do you
7 swear that the testimony that you already gave in
8 this proceeding was the truth the whole truth and
9 nothing but the truth so help you God?

10 THE WITNESS: Yes, I do.

11 JUDGE BRODSKY: Okay. Thank you very much.
12 Now you are excused.

13 MS. HUIZENGA: MidAmerican calls Diane
14 M. Noll.

15 THE WITNESS: Yes, Karen.

16 MS. HUIZENGA: Do we want to swear her in
17 first?

18 JUDGE BRODSKY: Yes, please.

19 (Witness sworn.)

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1 DIANE M. NOLL,
2 having been called as a witness herein, after
3 having been first duly sworn, was examined and
4 testified as follows:

5 DIRECT EXAMINATION

6 BY

7 MS. HUIZENGA:

8 Q. Ms. Noll, please state your full name and
9 business address for the record.

10 A. Diane M. Noll. My business address is One
11 River Center Place, 106 East Second Street,
12 Davenport, Iowa, 52801.

13 Q. By whom are you employed and in what
14 position?

15 A. -- accountant.

16 Q. Ms. Noll, do you have before you a
17 four-page document entitled MidAmerican Exhibit
18 No. 2.0, Docket No. 02-0712, direct testimony of
19 Diane M. Noll?

20 A. Yes, I do.

21 Q. Is this the direct testimony prepared by
22 you for this proceeding?

1 A. Yes.

2 Q. Do you have any additions or corrections
3 to this testimony?

4 A. No, I do not.

5 Q. Is it true and correct to the best of your
6 knowledge and belief?

7 A. Yes.

8 Q. If I asked you these questions today,
9 would your answers under oath be the same?

10 A. Yes.

11 MS. HUIZENGA: MidAmerican requests that --
12 moves the admission of the direct testimony of
13 Diane Noll, MidAmerican Exhibit No. 2.0, and
14 we'll go through the schedules in a second.

15 JUDGE BRODSKY: Okay.

16 Is there any objection?

17 MR. BRIAN SANT: No, there is not.

18 BY MS. HUIZENGA:

19 Q. Ms. Noll, attached on Page 2 of your
20 direct testimony, you refer to Schedule 1 and
21 then on Page 3 you refer to Schedule No. 2.

22 Do you have copies of those schedules

1 before you?

2 A. Yes, I do.

3 Q. Okay. Did you prepare these for this
4 proceeding?

5 A. Yes.

6 Q. Do you have any additions or corrections
7 to make to either Schedule 1 or Schedule 2?

8 A. No, I do not.

9 Q. Is the information contained in the
10 schedules true and correct to the best of your
11 knowledge and belief?

12 A. Yes.

13 MS. HUIZENGA: We would move for the admission
14 of Schedules 1 and 2 as attached to MidAmerican
15 Exhibit No. 2.

16 JUDGE BRODSKY: Is there any objection?

17 MR. BRIAN SANT: No, sir.

18 JUDGE BRODSKY: Okay. Then those exhibits
19 will be collectively admitted subject to further
20 questions.

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1 (Whereupon, MidAmerican
2 Exhibit No. 2.0 was admitted
3 into evidence.)

4 JUDGE BRODSKY: Does staff have any further
5 questions?

6 MR. BRIAN SANT: No, we do not.

7 JUDGE BRODSKY: I had a question.

8 EXAMINATION

9 BY

10 JUDGE BRODSKY:

11 Q. Ms. Noll, your schedules refer to factor
12 RA and RO.

13 Could you briefly explain what those
14 factors are and whether they flow from year to
15 year; and if so, then how?

16 A. Factor RA represents the under or over
17 collection and it appears on Line 1. Added to
18 that is the monthly -- those amounts appear on
19 Line 8 --

20 Q. I'm sorry, Ms. Noll, you were breaking up.

21 Can you repeat what you just said about
22 right under the factor RA on Line 1.

1 A. Factor RA, the balance at December 31,
2 2001, is shown on Line 1.

3 So at the end of that year we had a
4 cumulative undercollection of \$78,944. That
5 amount is added, the monthly under or over
6 recovery amount, and those amounts appear on Line
7 8.

8 After adding January through December
9 over and under amounts to that beginning period
10 amount at the end of the reconciliation period
11 which is December 31 of 2002, it results in a
12 cumulative overrecovery of \$20,629, which will be
13 rolled forward into the next period and given
14 back to the customers.

15 Q. Okay. And there is no RO factor which
16 would be at issue in this proceeding and not in
17 the next period, correct?

18 A. That's correct. There's no factor RO for
19 this reconciliation period.

20 JUDGE BRODSKY: Okay. Very good.

21 Thank you, Ms. Noll.

22 Is there anything further from the

1 company?

2 REDIRECT EXAMINATION

3 BY

4 MS. HUIZENGA:

5 Q. Yes. Ms. Noll, this is Ms. Huizenga.

6 You referred in your testimony to an
7 independent auditor's report from Deloitte &
8 Touche; is that correct?

9 Is someone using the computer? I keep
10 hearing these noises.

11 MR. BRIAN SANT: No.

12 MS. HUIZENGA: Okay.

13 JUDGE BRODSKY: Nothing here.

14 BY MS. HUIZENGA:

15 Q. Ms. Noll, are you aware of the independent
16 auditor's reports that was also noted in your
17 testimony?

18 A. Yes.

19 Q. And are you familiar with that which was
20 provided in this docket?

21 Did you hear the question?

22 A. Yes. I replied yes.

1 MS. HUIZENGA: Okay. I'm sorry, I couldn't
2 hear you.

3 MidAmerican also moves that the Deloitte
4 & Touche independent auditor's report be added as
5 a part of the record.

6 JUDGE BRODSKY: Is there any objection?

7 MR. BRIAN SANT: No, there is not.

8 JUDGE BRODSKY: Okay. Ms. Huizenga, how do
9 you want the auditor's report labeled?

10 MS. HUIZENGA: It could be MidAmerican Exhibit
11 No. 4.0.

12 JUDGE BRODSKY: Okay.

13 MS. HUIZENGA: Thank you. I'm sorry, I forgot
14 that.

15 JUDGE BRODSKY: That is also on e-docket, is
16 it not?

17 MS. HUIZENGA: Yes. Yes, it is.

18 JUDGE BRODSKY: Okay. Was there anything
19 further from the company on that?

20 MS. HUIZENGA: No, there is not.

21 JUDGE BRODSKY: Anything further from staff?

22 MR. BRIAN SANT: No, there is not.

1 JUDGE BRODSKY: Okay. Then to the extent that
2 they were not already, those exhibits identified
3 2.0 with attached schedules and 4.0 are admitted.

4 Thank you, Ms. Noll.

5 (Whereupon, MidAmerican
6 Exhibit No. 4.0 was admitted
7 into evidence.)

8 MS. HUIZENGA: MidAmerican calls David C.
9 Tubbs.

10 THE WITNESS: This is Dave Tubbs.

11 JUDGE BRODSKY: Mr. Tubbs, good morning.

12 THE WITNESS: Good morning.

13 (Witness sworn.)

14 DAVID C. TUBBS,
15 having been called as a witness herein, after
16 having been first duly sworn, was examined and
17 testified as follows:

18 DIRECT EXAMINATION

19 BY

20 MS. HUIZENGA:

21 Q. Please state your name and business
22 address for the record.

1 A. David C. Tubbs, One River Center Place,
2 106 East Second Street, Davenport, Iowa, 52801.

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

5 A. By MidAmerican Energy as the nuclear
6 resources manager.

7 Q. Mr. Tubbs, do you have before you a copy
8 of a five-page document entitled MidAmerican
9 Exhibit No. 3.0, Docket No. 02-0712, direct
10 testimony of David C. Tubbs?

11 A. Yes, I do.

12 Q. Is this the direct testimony prepared by
13 you for this proceeding?

14 A. Yes.

15 Q. Do you have any additions or corrections
16 to this direct testimony?

17 A. No, I do not.

18 Q. Is it true and correct to the best of your
19 knowledge and belief?

20 A. Yes, it is.

21 Q. If I asked you these questions today,
22 would your answers under oath be the same?

1 Quad Cities station and half the cost of the
2 energy output from Cooper.

3 How are the costs different?

4 In other words, is there a cost in
5 owning and operating the plants that is not
6 included in the cost of energy output?

7 A. Basically of course the costs are set by
8 contract, but basically the costs for Quad which
9 include 25 percent of all ownership costs were
10 similar to the 25 -- or the 50 percent of the
11 costs from Cooper nuclear station until August
12 1st, 2002.

13 Based on amendment six the structure by
14 which costs were determined was significantly
15 changed.

16 But prior to that, from January 1st
17 through August 1st, 2002, the costs at Cooper
18 were similar to the way costs were determined at
19 Quad Cities station, but one is ownership and one
20 was by contract.

21 Q. Okay. What is the result of the change?

22 A. Well, the new contract is more of a

1 standard purchase power agreement that is based
2 on known schedules and it isn't directly related
3 to the costs that are actually experienced at the
4 station anymore as it was prior to August 1st.

5 JUDGE BRODSKY: Okay. Thank you, Mr. Tubbs,
6 that was all that I had.

7 THE WITNESS: Okay.

8 JUDGE BRODSKY: Does the company have anything
9 further?

10 MS. HUIZENGA: No, your Honor.

11 JUDGE BRODSKY: Okay. All right. Thank you
12 very much. Okay.

13 Mr. Sant, then did you wish to proceed?

14 MR. BRIAN SANT: Yes.

15 JUDGE BRODSKY: Go ahead.

16 MR. BRIAN SANT: Okay. Do I need to be sworn
17 in?

18 JUDGE BRODSKY: Oh, okay.

19 MR. RONALD LINKENBACK: We have two staff
20 witnesses without legal representation.

21 JUDGE BRODSKY: Okay. Then that's fine.

22 Let me -- I'll swear -- let me swear you

1 in, Mr. Linkenback, and we'll cover yours first.

2 (Witness sworn.)

3 RONALD LINKENBACK,

4 having been called as a witness herein, after

5 having been first duly sworn, was examined and

6 testified as follows:

7 EXAMINATION

8 BY

9 JUDGE BRODSKY:

10 Q. Mr. Linkenback, you filed direct testimony
11 in this proceeding labeled ICC Staff Exhibit 2.0?

12 A. Yes, I did.

13 Q. And do you have any changes or corrections
14 to the testimony?

15 A. I do not.

16 Q. And if you were asked the same questions
17 today, would your answers be the same?

18 A. Yes, I would.

19 Q. Okay. And is staff moving for the
20 admission of Exhibit 2.0?

21 A. Yes.

22 JUDGE BRODSKY: And, Ms. Huizenga, is there

1 any objection?

2 MS. HUIZENGA: No, there are not.

3 JUDGE BRODSKY: Okay. Well, then Staff
4 Exhibit 2.0 will be admitted subject to further
5 questions.

6 (Whereupon, Staff
7 Exhibit No. 2.0 was admitted
8 into evidence.)

9 JUDGE BRODSKY: Ms. Huizenga, did you have
10 any?

11 MS. HUIZENGA: No, your Honor.

12 JUDGE BRODSKY: Okay. I had a question.

13 BY JUDGE BRODSKY:

14 Q. Mr. Linkenback, would you briefly
15 summarize for me the types of data that you
16 reviewed in assessing the prudence of the
17 purchased fuel and power?

18 A. I beg your pardon? Would you please
19 repeat?

20 Q. Would you briefly summarize for me the
21 types of data that you reviewed in assessing the
22 prudence of the purchases of fuel and power?

1 A. Yes, I would, your Honor.

2 The areas that I looked at from an
3 engineering perspective, I looked at the
4 generating units that MidAmerican had on line and
5 took off line during the reconciliation period to
6 determine if they were prudent, reasonable and so
7 forth.

8 I looked at the fuel purchases that they
9 either ended and/or started during the
10 reconciliation period and so looked and see if
11 they were also reasonable.

12 And also the power purchase activities
13 that MidAmerican did as far as new contractual
14 agreements during the same period.

15 Q. Okay. And you found the actions taken
16 were prudent?

17 A. Yes, I did.

18 JUDGE BRODSKY: Okay. All right. Thank you
19 very much. Did the company have any further
20 questions?

21 MS. HUIZENGA: No, your Honor.

22 JUDGE SAINSOT: Okay. Very good, thank you,

1 Mr. Linkenback.

2 And, Mr. Sant, let me swear you in

3 (Witness sworn.)

4 BRIAN SANT,

5 having been called as a witness herein, after

6 having been first duly sworn, was examined and

7 testified as follows:

8 EXAMINATION

9 BY

10 JUDGE BRODSKY:

11 Q. Okay. Thank you.

12 And you sponsored testimony in this
13 proceeding labeled ICC Staff Exhibit 1.0?

14 A. Yes, I did.

15 Q. And did you have any changes or
16 corrections?

17 A. No, I do not have any.

18 Q. And if you were asked the same questions,
19 your answers would be the same?

20 A. Yes, they would.

21 Q. And you're moving for the admission of
22 Exhibit 1.0?

1 A. Yes, I am.

2 JUDGE BRODSKY: Is there any objection?

3 MS. HUIZENGA: No, your Honor.

4 JUDGE BRODSKY: Okay. That being the case
5 then Staff Exhibit 1.0 is admitted.

6 (Whereupon, Staff
7 Exhibit No. 1.0 was admitted
8 into evidence.)

9 JUDGE BRODSKY: Mr. Sant, I don't have any
10 further questions for you.

11 THE WITNESS: Okay. Thank you.

12 JUDGE BRODSKY: So thank you very much.

13 Is there anything further for the
14 evidentiary proceeding?

15 MS. HUIZENGA: Not from MidAmerican, your
16 Honor.

17 MR. BRIAN SANT: Not from staff either.

18 JUDGE BRODSKY: Okay. So then what we'll do,
19 inasmuch as there are no further issues that are
20 being contested, I would ask that in lieu of
21 briefs that MidAmerican and staff submit an
22 agreed order.

1 MS. HUIZENGA: That would be fine.

2 JUDGE BRODSKY: Okay. And with attention to
3 the deadline on this case, would you be able to
4 submit that by -- let me see, today is the 22nd.

5 Would you need more than a month for
6 that?

7 MS. HUIZENGA: No. No, your Honor.

8 JUDGE BRODSKY: Okay. So then how about
9 October 17th as a deadline for that?

10 MS. HUIZENGA: That's fine.

11 JUDGE BRODSKY: Okay. So then I will look to
12 the parties to submit an agreed draft order by
13 October 17th.

14 If there's nothing then what we'll do is
15 mark the record heard and taken.

16 MR. BRIAN SANT: Your Honor, this is staff.
17 Could I have an off-the-record discussion with
18 MEC?

19 JUDGE BRODSKY: Very well.

20 (Whereupon, a discussion was
21 had off the record.)

22 JUDGE BRODSKY: So with that, let's go back on

1 the record.

2 And we had a discussion off the record
3 just to deal with some of the logistics of the
4 final stage of this case.

5 Was there anything further from any of
6 the parties?

7 MS. HUIZENGA: No, your Honor.

8 MR. BRIAN SANT: No, your Honor.

9 JUDGE BRODSKY: Okay. Hearing nothing further
10 then we'll mark the record heard and taken.

11 Thank you very much.

12 MS. HUIZENGA: Thank you.

13 MR. BRIAN SANT: Thank you.

14 HEARD AND TAKEN

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