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STATE OF MISSOURI

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PUBLIC SERVICE COMMISSION

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TRANSCRIPT OF PROCEEDINGS

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Public Hearings

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10

Jefferson City, Missouri

11

Volume 11

12

13 In the Matter of Missouri-American)  
14 Water Company's Request for )  
15 Authority to Implement a General )  
16 Rate Increase for Water Service )  
17 Provided in Missouri Service ) Case No.  
18 Areas ) WR-2007-0216

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18

HAROLD STEARLEY, Presiding,  
REGULATORY LAW JUDGE

19

CONNIE MURRAY,

20

STEVE GAW,

COMMISSIONERS

21

22 REPORTED BY:

23

MINDY VISLAY, CCR  
MIDWEST LITIGATION SERVICES

24

25

## A P P E A R A N C E S

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and the rate payers.

1 P R O C E E D I N G S

2 JUDGE STEARLEY: Good evening, today is  
3 Thursday, June 14, 2007. The Missouri Public Service  
4 Commission has set this time for a local hearing in  
5 Case No. WR-2007-0216, et al., in which Missouri  
6 American Water Company seeks to implement a general  
7 rate increase for its water service provided in  
8 Missouri service areas.

9 My name is Harold Stearley, and I am the  
10 Regulatory Law Judge presiding over tonight's hearing.  
11 With me tonight are Commissioners Gaw and Murray.  
12 This is an official Public Service Commission hearing,  
13 and the statements and testimonies from the witnesses  
14 that we take tonight will be under oath.

15 The purpose of the hearing is to give you all the  
16 opportunity to testify and give your remarks to the  
17 Commission with regard to your opinions or any  
18 comments regarding Missouri American's proposed rate  
19 increase. I have a sign-up sheet up here with a list  
20 of names, and I know we're also video conferencing  
21 with Mexico, Missouri. Who do we have on-site in  
22 Mexico for our Staff?

23 MR. OCHOA: Greg Ochoa.

24 JUDGE STEARLEY: Do you have a witness list  
25 for us there?

1                   MR. OCHOA: I have three names on the  
2 sign-up sheet.

3                   JUDGE STEARLEY: All right, very good.  
4 When we get to calling the witnesses, I will call the  
5 person's name that I have on my list, and I will go  
6 back and forth to Mexico and call the person's name.  
7 I'll ask you to state and spell your name for our  
8 court reporter, and I will swear you in for your  
9 testimony. You will then be able to provide the  
10 Commission with your statements. The Commissioners or  
11 the attorneys that are present tonight may have a few  
12 questions for you, or I might have a few questions for  
13 you, so please don't excuse yourself until we're all  
14 through. Do we have any questions regarding the  
15 procedure we're going to follow this evening?

16                  I'd like to encourage you all to feel free to give  
17 the Commission your opinions. This is something we  
18 very much value, and you don't need to be shy. If  
19 after you've heard some of the other people give their  
20 testimony tonight, anyone else who has not signed our  
21 witness list would like to offer testimony, I will ask  
22 again and give everyone else an opportunity to do so.

23                  Very well then, we will go ahead and begin with  
24 our public hearing in the Case styled: In the matter  
25 of Missouri American Water Company's request for

1 authority to implement a general rate increase for  
2 water service provided in Missouri, Case No.  
3 WR-2007-0216, et al.

4 We will begin by taking entries of appearance from  
5 counsel beginning with Missouri American Water  
6 Company.

7 MR. COOPER: Dean Cooper from the law firm  
8 of Brydon, Swearingen & England, P.C., P.O. Box 456,  
9 Jefferson City, Missouri 65102, appearing on behalf of  
10 Missouri American Water Company.

11 JUDGE STEARLEY: Thank you, Mr. Cooper.

12 The Staff of the Missouri Public Service  
13 Commission? Let the record reflect that no counsel is  
14 appearing on behalf of the Staff.

15 The Office of Public Counsel? Also let the record  
16 reflect -- go right ahead, Ms. Baker.

17 MS. BAKER: Thank you, Your Honor.

18 Christina Baker, Assistant Public Counsel, P.O.  
19 Box 2230, Jefferson City, Missouri 65102, appearing on  
20 behalf of the Office of Public Counsel and the rate  
21 payers.

22 JUDGE STEARLEY: Thank you, Ms. Baker.

23 Do we have any counsel appearing for any  
24 interveners in this action? Hearing none, we'll let  
25 the record reflect that we have no other counsel

1 making appearance.

2 With that, we can begin with opening remarks from  
3 the Commissioners. Commissioner Murray, would you  
4 like to make an opening remark?

5 COMMISSIONER MURRAY: No, I'm just  
6 interested in hearing what the people have to tell us.  
7 Thank you, Judge.

8 JUDGE STEARLEY: Commissioner Gaw, would  
9 you like to make any opening remarks?

10 COMMISSIONER GAW: Thank you all for  
11 coming. We appreciate you taking the time to come out  
12 tonight, thank you.

13 JUDGE STEARLEY: I would also like to  
14 extend the Commission's thanks to our host in Mexico.  
15 Without our ability to do the video conferencing and  
16 webcasting, the Commission would not have the  
17 opportunity to reach out to so many people, and we  
18 would like to give our host a thanks.

19 And with that, I am going to call our first  
20 witness. And I'm going to begin here in Jefferson  
21 City, since we have one witness on our list at this  
22 time which is George M. Vellios.

23 Please raise your right hand, and I will swear you  
24 in.

25

1                               GEORGE VELLIOS,

2               Of lawful age, being first duly sworn by the

3   Notary Public, testified as follows:

4   QUESTIONS BY JUDGE STEARLEY:

5               Q.   And would you please spell your name for  
6   the record?

7               A.   George Vellios, V-E-L-L-I-O-S.

8               Q.   And are you a customer of Missouri  
9   American?

10              A.   I am.

11              Q.   And you receive water service from them?

12              A.   I do.

13                       JUDGE STEARLEY:  Please give us your  
14   statement.

15                      MR. VELLIOS:  Well, I expressed my opinion  
16   earlier during the question and answer period.  But I  
17   remarked that, during the last several months, my  
18   family noticed that our water was becoming almost  
19   undrinkable owing to a foul smell, and it got so bad  
20   that my wife claims she couldn't stand to make a cup  
21   of tea with it.  Even the plates that went through our  
22   dishwasher seemed to have that kind of an odor.

23                      MR. COOPER:  I believe the folks in Mexico  
24   are unable to hear because the microphone's not set up  
25   quite right.

1                   MR. VELLIOS: My family noticed, during the  
2 last several months, that our water had acquired a  
3 rather foul odor. It got so bad, my children refused  
4 to drink it. Normally, we drink water with every  
5 meal. We're not coffee drinkers and the children  
6 don't drink sodas or things of that sort.

7                   My wife telephoned the water company, and the  
8 spokesperson there told her: Well, why don't you buy  
9 bottled water?

10                  My wife was incensed at this and said: That's  
11 like asking me to pay twice for the same thing. And  
12 my wife, who is a European -- UK subject -- remarked  
13 to the young lady that she had lived in several  
14 countries and in no community in Europe had she ever  
15 found water unpalatable and that, given the fact that  
16 the United States was one of the richest countries on  
17 the planet, that it was appalling that we couldn't  
18 provide decent drinking water out of the tap.

19                  And I lived in Europe for 16 years, and even  
20 during the worst droughts we had in Athens, never was  
21 the water undrinkable out of the tap. I was quite  
22 happy to drink tap water where ever I went, and I was  
23 here, too.

24                  I accept that things are getting more expensive  
25 and that we are going to be increasingly plagued with



1 drought in this country. I can accept that there will  
2 be difficulties pumping the water out of the Missouri,  
3 or out of the ground, or for storing it, but a  
4 25 percent increase to me is just appalling. To my  
5 family, that is going to mean \$60 a year, and we can  
6 find a number of other uses for that money. We're  
7 under, at the moment, a lot of constraints -- if I may  
8 express my opinion -- and I think 25 percent is just  
9 exorbitant. That's it.

10 JUDGE STEARLEY: Thank you very much. If  
11 we could please keep you at the podium, and we'll ask  
12 if Counsel for Missouri American, if they have any  
13 questions.

14 MR. COOPER: No questions, Your Honor.

15 JUDGE STEARLEY: Commissioner Murray?

16 COMMISSIONER MURRAY: Yes.

17 QUESTIONS BY COMMISSIONER MURRAY:

18 Q. Did you ever get a resolution to the water  
19 that was foul tasting -- or smelling -- as you said?

20 A. No, we bought water filters, which are  
21 expensive, it's an added expense for us. The water  
22 filter is one of these plastic jugs that you put tap  
23 water into, and as far as I know, all it does is  
24 remove the smell and taste, so the water doesn't taste  
25 bad at least. Whether it's taking any harmful

1 additives out of it, I couldn't say.

2 Q. Did you request that anyone come out and  
3 test the water?

4 A. I don't remember if my wife asked about  
5 that, she may have. No one has come so far.

6 Q. When was this?

7 A. It was during the spring.

8 Q. Of this year?

9 A. Yeah, maybe within the last five months or  
10 so. And it struck me as very odd, because when I  
11 lived in the south -- in Dallas -- for a short time,  
12 the water came out of reservoirs there, and it would  
13 get a pretty disgusting taste and smell during the  
14 summer months. And I was told there, this is what  
15 happens every summer when the bacteria count rises in  
16 the reservoir, they have to put more chlorine in.

17 But this was happening during a fairly cold  
18 winter, and it made no sense to me at the time. So, I  
19 wasn't satisfied with the reply: Buy bottled water.  
20 That seems to be what people are doing. To me, that's  
21 ridiculous. If the water is treated properly, it  
22 should be drinkable.

23 Q. Have you had any other service complaints  
24 besides that one?

25 A. No.

1 Q. How about billing issues?

2 A. Well, no. Not really. I mean, it's just  
3 like any other company, we pay our bills monthly and  
4 try to keep up to date with them. I mean, enough  
5 money is never enough, as the old philosophers say.  
6 We always want more and we want everything to be  
7 cheaper, but that's not happening.

8 I object to the added on expense of having to buy  
9 bottled water. Thirty years ago, that would be  
10 unthinkable to me that we would be buying bottled  
11 water from Wal-Mart, and people are doing that quite  
12 happily as though it's the most natural thing in the  
13 world. To me, it's not a natural thing and it  
14 shouldn't be. Before long, they'll be charging us for  
15 the air we breathe.

16 COMMISSIONER MURRAY: Thank you.

17 JUDGE STEARLEY: Commissioner Gaw?

18 COMMISSIONER GAW: You may have already  
19 said this, so forgive me if I'm re-treading over  
20 ground.

21 QUESTIONS BY COMMISSIONER GAW:

22 Q. How long have you received service from  
23 Missouri American, approximately?

24 A. We moved here in 2001.

25 Q. And have you been at the same residence

1 during that time frame?

2 A. Yes.

3 Q. And this issue with taste and smell  
4 developed this -- early this spring?

5 A. Early, yes.

6 Q. And how long did it continue?

7 A. As far as I know, it's still going on,  
8 although I'm drinking my water through a filter right  
9 now.

10 Q. So, there's been no change that you know  
11 of, but you can't test it because you've put this  
12 additional filtering on?

13 A. That's right.

14 Q. Do you know if any of your other neighbors  
15 have similar --

16 A. We've talked to other people who said, yes,  
17 it's pretty bad, but again, people are buying water.

18 Q. So, before that time frame, you didn't  
19 notice it too much?

20 A. I did not, no.

21 Q. And are you -- I don't want your specific  
22 address, but are you in the City limits?

23 A. Yes.

24 Q. Did you get any answers to questions in the  
25 minutes before we came in for the official hearing?

1           A.    Not really.  A gentleman said they would be  
2   happy to send someone out to inspect our service.

3           Q.    Okay.  I hope that perhaps we can get a  
4   report back from the Staff as a part of this case when  
5   ever that's done.  Is that possible?

6           MR. JOHANNSON:  Yes, sir.

7   QUESTIONS BY COMMISSIONER GAW:

8           Q.    So, that can be made a part of what we're  
9   dealing with in this matter.

10          And again, you have not personally talked to  
11   Missouri American about this, prior to this evening?

12          A.    No.

13          Q.    But you're not sure about your wife's  
14   communication?

15          A.    Well, I said what she reported to me  
16   already.

17          Q.    All right.

18          COMMISSIONER GAW:  I think that's all I  
19   have, but thank you very much for that information.

20          JUDGE STEARLEY:  I have a couple quick  
21   questions for you.  Please speak directly into that  
22   microphone.

23   QUESTIONS BY JUDGE STEARLEY:

24          Q.    On the water quality, have you also noticed  
25   this odor in terms of you being able to bathe and wash

1 your clothing?

2 A. Yes.

3 Q. And it's affecting all your water uses?

4 A. Yes.

5 JUDGE STEARLEY: That's all I have.

6 Any additional questions, Commissioner Murray?

7 COMMISSIONER MURRAY: No.

8 JUDGE STEARLEY: Commissioner Gaw?

9 QUESTIONS BY COMMISSIONER GAW:

10 Q. Did you describe the odor for us?

11 A. Not really.

12 Q. Is it possible to do that?

13 A. It's just kind of a nasty brackish taste.

14 It's not palatable. It's not quite like anything I've  
15 tasted elsewhere. I mean, to me it tastes dirty.

16 Q. It's not a chemical taste?

17 A. Not chemical, no. We may have overly  
18 sensitive palates, I don't know. But considering my  
19 children were raised on this stuff for the last  
20 six years, and all of a sudden they found it pretty  
21 bad, and I had to say, yeah, I do, too. It wasn't  
22 tasty enough to put on the table.

23 COMMISSIONER GAW: Thank you, sir.

24 JUDGE STEARLEY: Thank you very much. At  
25 this point we'll go to our station in Mexico.

1 MS. BAKER: I have a couple of questions.

2 JUDGE STEARLEY: Mr. Vellios, would you  
3 please return to the podium. I apologize, we're  
4 getting used to going back and forth to two locations.  
5 I apologize, the Office of Public Counsel, who's  
6 attorney is in Mexico, would like to ask you a few  
7 additional questions.

8 QUESTIONS BY MS. BAKER:

9 Q. Okay. The first question I have is; do  
10 you find that this -- that this smell comes from every  
11 tap throughout the house?

12 A. Yes.

13 Q. Or is it mainly in the kitchen?

14 A. No, we found it coming from all the taps.

15 Q. You said that this began in the spring.  
16 Would this be, in your mind, would this coincide with  
17 the times we had large rain falls or the ice storms?

18 A. No, it was before the ice storms.

19 MS. BAKER: I believe that's all the  
20 questions that I have, and I appreciate you coming and  
21 giving your comments today.

22 MR. VELLIOS: You're welcome.

23 JUDGE STEARLEY: Any follow-up questions  
24 after Miss Baker's questions?

25 COMMISSIONER MURRAY: No.

1 COMMISSIONER GAW: No.

2 JUDGE STEARLEY: If you would please call  
3 the first witness in Mexico for us.

4 And Mr. Mardy, can you hear me all right?

5 MR. MARDY: Yes, sir.

6 JUDGE STEARLEY: If you would please raise  
7 your right hand I will swear you in.

8 ROBERT MARDY,

9 Of lawful age, being first duly sworn by the  
10 Notary Public, testified as follows:

11 QUESTIONS BY JUDGE STEARLEY:

12 Q. Would you please spell your name for our  
13 court reporter?

14 A. Last name Mardy, M-A-R-D-Y.

15 Q. And are you a customer of Missouri  
16 American's?

17 A. I'm a rate payer, a tax payer, and a  
18 citizen of Mexico, Missouri.

19 JUDGE STEARLEY: Very good. If you'll  
20 please give us your testimony.

21 MR. MARDY: I'll fight my shyness, Judge.  
22 I'll do my best. I appreciate your encouragement, and  
23 I'm pleased we have the opportunity to do this and do  
24 it in Mexico. We're very concerned that, because of  
25 the complicated financial structure of Missouri



1 American Water, American water, and the German company  
2 that owns it, that charges will be laid on American  
3 water in Mexico that should not be charged against us.

4 And I've talked to Mr. Ochoa, and he has said our  
5 financial officer in Mexico has contacted him, and the  
6 financial data is there. The City of Mexico, Your  
7 Honor, has for 18 years received a Certificate of  
8 Achievement of Excellence in financial information, so  
9 we've got a team that's not just fallen off a turnip  
10 truck, and we'd like the chance to look at the data.

11 Commissioner Gaw is there, he and I have met  
12 before at other hearings, and I urge the Commission to  
13 be very careful; this is a complicated financial  
14 international arrangement which is different than any  
15 other that we've been involved in when we've dealt  
16 with electricity and gas, this is much more difficult.  
17 I think the Commission Staff has got a good hand on it  
18 but it is difficult.

19 I must tell you, our water is excellent. I hear  
20 those stories from Jeff City, and I think our Chamber  
21 of Commerce ought to hand out cards immediately on  
22 that.

23 Our water comes from deep wells and is of very  
24 excellent quality. The American Water Company  
25 purchased those wells some years ago, they didn't make

1    them, they inherited them in that way. The City of  
2    Mexico actually made a bonafide offer for the company,  
3    but we never received the courtesy of a response.

4           Concerning service, I wrote the City manager of  
5    Mexico, on May 7, that I would attend here. Since  
6    then, the following incidents have happened: There is  
7    in Mexico an area of land called Green Estates --  
8    which my wife and I own Lot 8. One evening, we were  
9    driving by at about 5:30, and I noticed a bunch of  
10   people by the edge of it, and I could see water  
11   spewing through the back edge of the lot. I went down  
12   there to see what was happening, and I suppose I  
13   should have properly introduced myself and said, "I'm  
14   Robert Mardy, and you're standing on my five acres,  
15   and what are you doing here?" But I didn't. I said,  
16   "What are you all up to?"

17           And they wouldn't answer. They never answered me,  
18   exactly. I found out later, by talking to  
19   Mr. Kelly -- who is a charming young man, and this is  
20   not a personal reference in any way to anybody -- that  
21   in fact, when they tried to put in the waterline, they  
22   punctured the existing waterline.

23           I asked, "How is it that you don't have equipment  
24   that tells where the waterline is if you're replacing  
25   it?" Mr. Kelly said, "Well, the existing line was

1 plastic." And I'm not sure why we would be repairing  
2 a plastic line, it can't be that old.

3 I had two objections. One, they weren't very  
4 polite to an ordinary guy without showing them  
5 credentials. And I'd like to know; do they keep track  
6 of where the water is? It would save a lot of money  
7 if you have to keep digging around and find it each  
8 time.

9 I also hope, Mr. Kelly, you haven't interdicted my  
10 drainage from that pond to that dam. I hope that is  
11 still open.

12 Judge, on June 5th, my wife and I were driving to  
13 the center of Mexico when we saw a large dust cloud.  
14 It was enough to obscure the cars from one edge of the  
15 road to another. Monroe Street -- and it was as high  
16 as twenty feet.

17 We determined it was a drop of lime. That the  
18 contract hauler from the water company had dropped  
19 lime when he turned the corner. I talked to Mr. Kelly  
20 about it, he said the truck broke. I talked to the  
21 health officer, and he said that, well, lime dust  
22 inhaled can burn the lungs. And he didn't tell me  
23 this, but if it will burn the lungs, it will burn my  
24 eyes, nose and skin. It's hazardous. So, the  
25 material that the water company is hauling is

1 hazardous material.

2           And I think that dropping it around the City of  
3 Mexico has proceeded Mr. Kelly's arrival here. I  
4 think it's been dropped all over the City of Mexico  
5 for some time and nobody has particularly complained  
6 about it.

7           This sounds like a scene from Private Gibson's  
8 Enemy of the People. I checked with the people who  
9 run the Waste Water Department, and they said: Oh,  
10 yes, the water company brings us lime when they have  
11 too much and we take it. There's always a trail  
12 backwards through town when they take it, and now I'm  
13 starting to remember I've seen white trails all over  
14 town. We can't go on anymore like that. We have to  
15 stop dropping it, now, today, at this particular time.

16           I think Mr. Kelly, he told me he called the City  
17 and told them to sweep it up at one time, and I'm sure  
18 they did. They should send you a bill for that.  
19 Whether they will, I don't know. We don't need to be  
20 dropping lime. It is in dust, it can hurt and will  
21 hurt.

22           Number three, Judge, I tried to call Mr. Kelly,  
23 and I called the 866 number -- just random -- and I  
24 didn't get the gentleman from Jefferson City, I didn't  
25 get Illinois, I didn't get anything. I was finally

1     able to purchase -- over the black market -- Mr.  
2     Kelly's private number, and I called and talked to his  
3     assistant, and she said: Oh, today it's shut down, it  
4     doesn't work today, so we haven't had any calls.

5             Well, of course if it doesn't work, you don't have  
6     any calls. So, I think we need to be checking that  
7     line. I would like, Judge, to have the water company  
8     advise you of the service record of their 866 number,  
9     to see how that works. I could get a team of little  
10    old ladies to call everyday and see how it does. But  
11    that's not the thing to do. I think they could tell  
12    you whether that line is open or not.

13            I thank you for allowing the courtesy of having me  
14    here, and that's the end of it.

15                    JUDGE STEARLEY: We appreciate your  
16    remarks, Mr. Mardy. And if you'll hold on right where  
17    you're at, we'll see if anyone has any questions for  
18    you. We'll start with Counsel for Missouri American.

19                    MR. COOPER: No questions.

20                    JUDGE STEARLEY: Miss Baker?

21                    MS. BAKER: No questions, but I certainly  
22    do appreciate that you've come today and given your  
23    comments.

24                    JUDGE STEARLEY: Commissioner Murray?

25    QUESTIONS BY COMMISSIONER MURRAY:

1           Q.     Have you had other occasions to call that  
2     866 number?

3           A.     That was only one time and it was  
4     completely random. And you know what they say; if  
5     it's random enough, it indicates the service entirely.  
6     That's why I've asked that you have someone else check  
7     and see how much it works.

8           Q.     And I assume then that you haven't talked  
9     to company personnel about issues; is that correct?

10          A.     Oh, yes. Oh, no. I have talked to  
11     Mr. Patrick Kelly -- who is Superintendent of Mexico  
12     Works -- and his assistant, Robin Jacoby, and they  
13     have been very kind. I have talked to them. You  
14     understand, Judge, I had to pay 50 cents at Hardees to  
15     get their number, mind you.

16          Q.     But you've not actually talked to anyone  
17     over the telephone though at the company; is that  
18     correct?

19          A.     Yes. No. I have talked to them. No, I've  
20     not talked to anybody on the 866 number -- I've not  
21     talked to the 866 number. I've had to use the local  
22     exchange. They've been very responsive.

23          Q.     Have you had any other experiences with the  
24     Missouri American Water personnel?

25          A.     I described one in the field, did you hear

1     that one -- on the property -- and I asked them direct  
2     questions and they did not respond. Did you hear that  
3     story?

4             Q.     Yes.

5             A.     And I don't know who they are. It was not  
6     Mr. Kelly. I think it was a contractor or some people  
7     from the water company. I couldn't get their names  
8     even. So, I had those two events.

9             COMMISSIONER MURRAY: All right. Thank you  
10    very much, Mr. Mardy.

11            COMMISSIONER GAW: Did you offer this phone  
12    number for sale or trade to your fellow --

13            MR. MARDY: I've got some offers already.

14            COMMISSIONER GAW: Mr. Mardy, it is always  
15    a pleasure. Thank you very much for coming.

16            MR. MARDY: Thank you, sir.

17    QUESTIONS BY JUDGE STEARLEY:

18            Q.     Mr. Mardy, you had mentioned Patrick  
19    Kelly, and I believe you stated what his title was.  
20    Would you please repeat that for us?

21            A.     Superintendent of Mexico Works. Mr. Kelly  
22    is Operations Superintendent for the Mexico District,  
23    and I've talked to him several times, and he is  
24    present here tonight.

25            Q.     And I just wanted to confirm, when you

1 mentioned the truck dropping lime, was that a Missouri  
2 American truck; is that correct?

3 A. Mr. Kelly tells me it's a truck that they  
4 hire to do it. So, in other words, it would be his  
5 agent, if not his truck and his responsibility. And  
6 certainly is his lime.

7 JUDGE STEARLEY: That's what I wanted to  
8 clarify.

9 Are there any additional questions from the  
10 Commissioners? Miss Baker, did you have any other  
11 questions?

12 MS. BAKER: I have no further questions.

13 JUDGE STEARLEY: I didn't want to leave you  
14 out like I skipped over you once before.

15 MS. BAKER: I appreciate that, Judge.

16 JUDGE STEARLEY: Mr. Ochoa, could you call  
17 our next witness.

18 If you would please raise your right hand, I will  
19 swear you in.

20 KRISTINA SMILEY,

21 Of lawful age, being first duly sworn by the  
22 Notary Public, testified as follows:

23 QUESTIONS BY JUDGE STEARLEY:

24 Q. Please state and spell your name for the  
25 court reporter.



1           A.   Christine Smiley.  C-H-R-I-S-T-I-N-E,  
2   S-M-I-L-E-Y.

3           Q.   And are you a customer of Missouri  
4   American's?

5           A.   I am the manager for the public water  
6   supply, District No. 2, and a customer of the rural  
7   water district.  And all of our water comes from  
8   Missouri American.

9           JUDGE STEARLEY:  Thank you very much.  
10   Please give us your statement.

11           MS. SMILEY:  I wanted to thank you all for  
12   the opportunity to talk.  I wanted to list a few facts  
13   that I would like you all to consider from our  
14   perspective when looking at this rate hike.

15           In 2000, our rates were increased 193 percent.  
16   Our rates, paid to Missouri American, are in their  
17   highest tier bracket.  And our usage to Missouri  
18   American Water costs them no up-keep on their  
19   waterlines.  Our current costs for 5,000 gallons of  
20   water is almost double what it costs customers inside  
21   the City limits.  Our rates for our rural water  
22   district are among the highest in the State of  
23   Missouri for a water district according to a 2004  
24   Missouri Rural Water Association rate survey.

25           My water district has over about 125 miles of

1 waterline and three storage facilities -- all to  
2 maintain -- of which some of this is close to 40 years  
3 old and getting ready to be replaced.

4 I am the only employee for the water district and  
5 I work part-time. We have a local plumber that works  
6 only on a as-needed basis, and I feel we are very  
7 financially responsible with the funds that we have.  
8 We are not a wealthy water district, and I just am  
9 scared that these rate increases could either be a  
10 financial burden to our customers, or if we absorb the  
11 increase, it could jeopardize our financial standing  
12 as a district.

13 I do want to say that our water is excellent. I  
14 have -- since I've been the manager for the water  
15 district -- I have never had any problems with the  
16 water. That we have Patrick Kelly -- he has always  
17 been excellent to work with, he's always been willing  
18 to help me and be there.

19 I also have a comment of a customer, that wanted  
20 to say the customers in our water district have to  
21 read and figure their owns water bills. So, we're a  
22 pretty rural water district. We don't have a lot of  
23 expenses, but we are at a point that we're going to  
24 have to spend money to replace some of our water  
25 lines. That's all I have.

1 JUDGE STEARLEY: Do we have any questions  
2 for Miss Smiley from Missouri American?

3 MR. COOPER: No, sir.

4 JUDGE STEARLEY: Miss Baker in the Office  
5 of Public Counsel?

6 MS. BAKER: I do have a couple.

7 QUESTIONS BY MS. BAKER:

8 Q. You say you have about 900 customers?

9 A. Yes.

10 Q. How are those divided between residential  
11 and commercial?

12 A. I have three trailer parks and maybe five  
13 business customers -- they are like a body shop -- but  
14 I don't have -- the trailer parks are the ones that  
15 have the highest usage.

16 Q. So, you are mainly residential usage?

17 A. Yes.

18 Q. Do you find that your customers have a  
19 larger amount of usage of water?

20 A. We've purchased, about on average, maybe  
21 five million gallons a month -- four to five million  
22 gallons a month.

23 MS. BAKER: Thank you, I appreciate you  
24 coming today and giving us your perspective on this.

25 JUDGE STEARLEY: Commissioner Murray?

1 QUESTIONS BY COMMISSIONER MURRAY:

2 Q. The customers that are in the trailer  
3 parks, are they individually metered, or how are they  
4 billed by you?

5 A. We just have one meter for the trailer  
6 parks, and I have no idea how they divide that out.

7 Q. But it is just one meter for the whole  
8 park?

9 A. And I have one small trailer park, one  
10 medium size and one larger trailer park.

11 Q. And then you said you have five business  
12 customers; is that correct?

13 A. Yes. I'm guessing, about that.

14 Q. But they are individually metered; is that  
15 correct?

16 A. Yes.

17 COMMISSIONER MURRAY: I think that's all I  
18 have, thank you.

19 JUDGE STEARLEY: Commissioner Gaw?

20 QUESTIONS BY COMMISSIONER GAW:

21 Q. Ms. Smiley, can you give me an idea about  
22 the average rate that your rate payers are paying, or  
23 some sort of an idea about how much they pay per  
24 gallon or whatever the measurement is -- unit  
25 measurement is?

1           A.    For a minimum charge up to a  
2   thousand gallons of water is \$16.  Per five thousand  
3   gallons is \$40 and for ten thousand gallons it's \$64.  
4   Does that help you?

5           Q.    Yes.

6           A.    I also included a sheet that I had, and I  
7   can send those so you can look at that -- just an  
8   average for the State of Missouri rural water  
9   district -- for you all to see, so I'll send it.

10          Q.    That would be helpful.

11          A.    But their average, for a water district,  
12   for 5,000 gallons -- and this was 2004 -- it was  
13   \$33.17.

14          Q.    Can you compare that to what your charges  
15   are?

16          A.    Ours are \$40 per 5,000 gallons.

17          Q.    That's what I was looking for.  Can you  
18   give me an idea about what portion of the total bill  
19   you attribute to the wholesale purchase that you make  
20   from Missouri American, and then the rest of it, I  
21   assume, are your additional costs.  Have you broken it  
22   down that way?

23          A.    I had a customer ask about our financial  
24   standing, and right now we have -- and this isn't --  
25   may not be answering your question -- but we have a

1 bond right now that we're paying off, and if we pay  
2 that off today, we would have about \$200,000.

3 Q. Actually, I wasn't trying to get to that.  
4 What I'm looking for is, in a customer's bill, is  
5 there some estimate that you give about what portion  
6 of that bill would be attributable to the wholesale  
7 costs of water that you purchase from Missouri  
8 American, and what portion is the additional charge  
9 that you have for your services?

10 A. I haven't ever broken it down per what we  
11 pay per gallon.

12 Q. Yeah, that's basically what I'm trying to  
13 see. Is it half of your bill, what you're paying for  
14 your wholesale water costs, or is it some percentage  
15 that you've been able to determine?

16 A. I don't know that off the top of my head.  
17 What our increase is over what we pay?

18 Q. Of the portion of the bill that you have,  
19 what part of it do you attribute to the costs to  
20 Missouri American?

21 A. That I don't know off the top of my head.

22 Q. That's okay.

23 A. I could get that if you want it?

24 Q. It's not that important. If you want to  
25 supply it, we'll take it later. And then the other

1 question I have is, when you had the last increase  
2 from Missouri American, what did you do with your  
3 charges to your customers after that increase  
4 occurred?

5 A. It was before I was here, but they were  
6 significant increases.

7 COMMISSIONER GAW: I think that's all I  
8 have at the moment. Thank you very much for coming.

9 JUDGE STEARLEY: Ms. Smiley, you mentioned  
10 you had some documents that you would like to share  
11 with the Commission?

12 MS. SMILEY: I did bring documents.

13 MS. BAKER: I have a copy that I will bring  
14 back and put into the record.

15 JUDGE STEARLEY: What I'd like is, could  
16 you give me kind of a name or title for that document,  
17 and we'll mark that as Exhibit 1 for this hearing?

18 MR. COOPER: Can I ask Ms. Baker whether  
19 she's intending to submit that as an Exhibit or  
20 essentially as a public comment document?

21 MS. BAKER: More as a public comment  
22 document. This is really a title -- her statements  
23 today, so it would be the Statements of Miss Christine  
24 Smiley.

25 JUDGE STEARLEY: Very well then. We'll

1 just include that as part of her statements then.

2 And Miss Smiley, I had one other question for you  
3 as well.

4 We had been talking a lot about the price factors  
5 and what your district is facing, have there been any  
6 water quality issues for you and your water district?

7 MS. SMILEY: No water quality issues, other  
8 than a comment that was made earlier in Jefferson  
9 City, about the water billing. I usually wait seven  
10 to ten days to get our water bill. I'm usually  
11 waiting on the water bill to pay my bills, but a  
12 couple times -- a few times I had to call the office  
13 here in Mexico to get a copy of the bill. But I've  
14 had no issues at all with the quality of the water.

15 JUDGE STEARLEY: Thank you. Are there any  
16 follow-up questions for Miss Smiley?

17 COMMISSIONER GAW: No.

18 COMMISSIONER MURRAY: No.

19 JUDGE STEARLEY: If you'd please call our  
20 next witness.

21 I didn't quite catch the last name there. Could  
22 you repeat that for me?

23 MR. SIROM: Sirom, S-I-R-O-M.

24 JUDGE STEARLEY: If you'd please raise your  
25 right hand, I will swear you in.



1                               ROB SIROM,

2               Of lawful age, being first duly sworn by the  
3       Notary Public, testified as follows:

4       QUESTIONS BY JUDGE STEARLEY:

5               Q.    You've just stated and spelled your name,  
6       so let me ask you; are you a customer of Missouri  
7       American?

8               A.    I am a customer, personally, but I am here  
9       representing Audrain County public water District No.  
10      1.   We are, like, I'd say, a sister rural water  
11      community just like No. 2; Miss Smiley.

12                   JUDGE STEARLEY:   Please give us your  
13      statement.

14                   MR. SIROM:   Well, a lot of my comments will  
15      somewhat parallel what Miss Smiley talked about,  
16      because we both receive our water from Missouri  
17      American.   And I feel like -- we've got 582 customers,  
18      not quite as large as No. 2, but we feel like we have  
19      to, as a board member of the water district, we have  
20      to request that they reconsider the rate increase.   It  
21      may possibly be justified for some of the city  
22      customers.

23               In 2000, when we received that 197 percent  
24      increase, as I recall, Missouri American had only  
25      asked for something like 8 to 9 percent increase.   It

1    was the Public Service Commission, I think, that did  
2    us in when they looked at us as similar to an  
3    industrial user, which we are not. We are a public  
4    utility not-for-profit, so all we do is supply the  
5    infrastructure to transport the water to our rural  
6    customers.

7           At the time that that rate increase took affect,  
8    there was a tremendous customer outcry against this  
9    thing. And so we looked at several different avenues  
10   of possibly trying to figure out a way to lower the  
11   cost for our customers, anything from drilling a well  
12   and supplying our own water to -- we approached a  
13   couple of other water districts with hopes of maybe  
14   one of them would purchase it, and trying to do it in  
15   the best interest of what we thought would work for  
16   our customers. We literally had to double our rates  
17   then what they were at that time.

18           My real concern is why the Public Service  
19   Commission at that time chose to treat an extension of  
20   water customers -- our customers are no different from  
21   the City of Mexico's customers -- and why we were  
22   passed along with that kind of an increase.

23           Someone over there in Jeff City earlier asked  
24   about the rural water districts here being wholesale  
25   customers. Paying a higher price than the normal

1 customer, I don't consider wholesale. Back at that  
2 time, one of our other approaches, in an effort to  
3 lower the water rates to our rural customers, we  
4 offered to sell the water district to Missouri  
5 American. They considered it and came back with an  
6 offer which we could not justify. But they told us at  
7 that time, if they purchase us, they would sell the  
8 rural customers, that we're serving now, at the same  
9 rate they were charging the City customers. So the  
10 water district, we have to therefore mark the water up  
11 simply for transporting. And the employees in the  
12 infrastructure -- we have two employees. And I think  
13 that's basically the content of what I brought here.

14 JUDGE STEARLEY: Questions from the  
15 attorneys, Mr. Cooper?

16 MR. COOPER: No, Your Honor.

17 QUESTIONS BY MS. BAKER:

18 Q. Again, I guess my question would be; how  
19 do your customers divide up as far as residential,  
20 business and commercial?

21 A. Very similar to water district No. 2. We  
22 have just a very small handful of business customers.  
23 It's just a very small group of business customers.

24 Q. And each of the businesses have their own  
25 meters as far as that?

1           A.    I think that's right.  I don't think we  
2   have any multiple meters.  We have no trailer parks.

3           MS. BAKER:  No further questions.

4           JUDGE STEARLEY:  Commissioner Murray?

5           COMMISSIONER MURRAY:  Yes.

6   QUESTIONS BY COMMISSIONER MURRAY:

7           Q.    Do you know the rates that your residential  
8   customers are paying today?

9           A.    They are very similar to water district No.  
10   1.  Our minimum rate for the first thousand gallons is  
11   16-some-odd -- 16-some-odd dollars.

12          Q.    And you said that is about double what it  
13   was prior to the last increase for Missouri American?

14          A.    That's right.

15          Q.    And how many residential customers do you  
16   have?

17          A.    Our total customer base was 582.  Out of  
18   that, six or eight businesses.  Twenty?  Okay.  I  
19   stand corrected.  Twenty.

20          COMMISSIONER MURRAY:  Thank you.

21          JUDGE STEARLEY:  Commissioner Gaw?

22          COMMISSIONER GAW:  Thank you very much for  
23   coming.

24   QUESTIONS BY COMMISSIONER GAW:

25          Q.    Can you go ahead and give me an idea about

1 your rate after the minimum amount on a residential  
2 customer?

3 A. I think, for 4000 gallons, it's in the  
4 neighborhood of \$27, \$28. I don't have exact numbers  
5 with me.

6 Q. That's all right, an estimate will do. Are  
7 you in the same situation in regards to anticipating  
8 additional improvements being necessary to your lines  
9 in the future?

10 A. Yes, that's kind of an ongoing thing. Our  
11 water district was the first one created here in  
12 Audrain County, it was formed in 1968. So, we have  
13 ongoing maintenance problems and replacement issues.

14 Q. Is there a good contact that you have at  
15 Missouri American when you have an issue? Do they  
16 have good communication, or how would you rate that?

17 A. Very good. It's not like Mr. Mardy, I  
18 didn't have to buy the phone number.

19 Q. Have you offered yours for sale?

20 A. Yes.

21 Q. Well, in regard to the interconnection that  
22 you have here, where does your system interconnect  
23 with Missouri American's?

24 A. We have three individual master meters that  
25 we tie in at various locations on southern and eastern

1 fringes of Mexico.

2 Q. Okay.

3 A. We have one storage facility.

4 Q. Do you know how close that is to their well  
5 or wells?

6 A. Our eastern-most meter is probably three  
7 miles from the closest well -- two-and-a-half,  
8 something like that. Our central meter is probably  
9 only a mile or less -- three-quarters of a mile --  
10 from one of the wells. The well location and the main  
11 plant are two different areas.

12 Q. How far is it from the main plant, if you  
13 know?

14 A. I think the southern-most meter is probably  
15 two-and-a-half miles, and the eastern is maybe a mile  
16 and a half.

17 Q. And would it be possible for you to give me  
18 an idea about what percentage of a residential  
19 customer's bill, on your system, is attributable to  
20 your cost to Missouri American?

21 A. Not the exact figure. But close to, like,  
22 60 percent.

23 Q. About 60. Okay. Sir, thank you very much  
24 for coming tonight.

25 A. Thanks.

1 JUDGE STEARLEY: One follow-up.

2 QUESTIONS BY JUDGE STEARLEY:

3 Q. As I'd asked Ms. Smiley, have you had any  
4 water quality or water billing issues with Missouri  
5 American?

6 A. We have no billing issues that I'm aware  
7 of, and our water quality is exceptional. We have no  
8 complaints in that respect at all. Our primary  
9 complaint is what caused the Public Service Commission  
10 to pass along that kind of a rate increase when it was  
11 not even requested at that time. Matter of fact, we'd  
12 like to see part of that retracted.

13 JUDGE STEARLEY: Are there any follow-up  
14 questions for Mr. Sirom?

15 COMMISSIONER GAW: No.

16 COMMISSIONER MURRAY: No.

17 JUDGE STEARLEY: Thank you very much for  
18 your testimony, Mr. Sirom.

19 If you would please call our next witness.

20 MR. OCHOA: There are no other witnesses  
21 signed up. Is there anyone else that wants to  
22 testify?

23 I do not see any, Your Honor.

24 JUDGE STEARLEY: No one else from Mexico  
25 wishes to offer testimony. I'll remind the people in

1 Mexico, if you do not wish to give testimony tonight,  
2 you can still give public comments by means of  
3 contacting the Office of Public Counsel or by  
4 utilizing the Public Service Commission's webpage. So  
5 you can go online and enter written comments, and I'd  
6 encourage anyone from the public to do so.

7 If we have no further testimony from Mexico, I'm  
8 going to come back to Jeff City and make sure if there  
9 are any other persons in attendance here that would  
10 like to give testimony?

11 Well, seeing none, let me ask the Commissioners if  
12 they would have any closing remarks tonight.  
13 Commissioner Murray?

14 COMMISSIONER MURRAY: I would express my  
15 appreciation to those people that came to the hearing  
16 and particularly those who gave us their views this  
17 evening, thank you.

18 JUDGE STEARLEY: Commissioner Gaw?

19 COMMISSIONER GAW: I would agree with  
20 Commissioner Murray on this one, thank you very much.

21 JUDGE STEARLEY: Thank you very much for  
22 your testimony. Case No. WR-2007-0216 is hereby  
23 adjourned.

24 (WHEREIN, the recorded portion of the public hearing  
25 was concluded.)



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GEORGE VELLIOS

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ROBERT MARDY

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CHRISTINE SMILEY

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ROB SIROM

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12 (No Exhibits were marked.)

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