

1 BEFORE THE PUBLIC SERVICE COMMISSION
2 OF THE STATE OF MISSOURI
3
4 AUDIO TRANSCRIPTION OF
5 EX PARTE COMMUNICATION
6
7 January 12, 2010
8 KMOX Radio
9 St. Louis, Missouri
10 In the Matter of Union Electric)
11 Company d/b/a AmerenUE's Tariffs)
12 to Increase its Annual Revenues) Case No. ER-2010-0036
13 for Electric Service.)
14 MORRIS L. WOODRUFF, Presiding,
15 CHIEF REGULATORY LAW JUDGE.
16 ROBERT M. CLAYTON, III, Chairman,
17 KEVIN D. GUNN,
18 COMMISSIONERS.
19
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P R O C E E D I N G S

1
2 MR. BRENNAN: Charlie Brennan on "The Voice of
3 St. Louis". Thanks for joining us. Well, there's
4 something really interesting going on in St. Louis
5 right now. As you know, AmerenUE is seeking a rate
6 increase from Missouri's Public Service Commission.
7 And it's being opposed by a group called FERAf, which
8 is the -- hang on a second, I'll get this everybody -
9 - it's the Fairness in Electric Rate Action
10 Foundation (sic).

11 Anyway, you take a look who's behind FERAf,
12 well, the Missouri Rice and Merchandising Council,
13 Noranda Aluminum, the Missouri Retailers Association,
14 the Missouri Association for Social Welfare.

15 And what's kind of interesting is that the head
16 of Noranda recently bought a painting for \$48
17 million. He's upset with his electric rates although
18 his electric rates are actually lower in Missouri
19 than the poorest of the poor. He enjoys lower
20 electric rates than people in north St. Louis, for
21 example. Hum?

22 But when you go to the Public Service Commission
23 hearing all these old ladies in wheelchairs are all
24 complaining that they can't stand their higher
25 electric rates even though the rates in Missouri are

1 the fourth lowest in the nation.

2 Well, we invited the folks from the Fair
3 Electricity Rate Action Fund to join us today. And
4 in fact we scheduled this segment around the
5 Organization's schedule. They agreed to it. And we
6 said, all right, we'll get Richard Mark from the
7 other side there. Yesterday, they pulled out. We
8 gave them the inside line and said if one of your
9 representatives wants to join us by phone that'll be
10 possible. The representative from the Fair
11 Electricity Rate Action Fund declined; can't do it by
12 phone either.

13 So we decided to invite Richard Mark to come on
14 solo to talk about an increase in electric rates.
15 And he's going to do that just around the corner
16 ladies and gentlemen. We are 60 seconds away from
17 traffic and weather then we're going to take your
18 phone calls on your electric rates with Richard Mark
19 from AmerenUE, 436-7900, 800-925-1120.

20 But the story actually gets better. Wait till
21 you hear the information we have for you on just
22 who's attending these meetings in Missouri. Believe
23 or not they're coming from places like New Hampshire
24 and protesting Show-Me State electric rates. Why
25 would someone in New Hampshire fly to St. Louis and

1 complain about his or her electric bill? Well, we're
2 going to talk about that just next on "The Voice of
3 St. Louis".

4 Thank you for joining us everybody, Richard
5 Mark, from AmerenUE is in the house. He wants an 18
6 percent rate hike. We're going to ask you for your
7 calls at 436-7900, 800-925-1120. Richard, good
8 morning, you're on KMOX.

9 MR. MARK: Morning, Charlie, glad to be here.
10 Thank you.

11 MR. BRENNAN: Well, let's first talk about 18
12 percent that seems like a very high figure in this --
13 the worst recession since the Depression.

14 MR. MARK: Right. Well, it is a very difficult
15 time and -- and we understand that. But you have to
16 understand really the regulatory process in Missouri
17 to -- to really understand how we come up with that
18 18 percent. And the regulatory process in Missouri
19 that we're governed by -- you know, you have to first
20 incur your costs for your investment. Then once you
21 incur those costs you go through a formal, legal
22 process called a ratemaking process to recoup the
23 costs.

24 So the period of time we're talking about here
25 are costs that we've already incurred from, like,

1 September of '08 through the end of '09. So these
2 are dollars that are already spent that we have gone
3 out, we've not only spent the dollars and invested
4 into our infrastructure, this infrastructure is now
5 working to improve the reliability and serve Missouri
6 customers.

7 MR. BRENNAN: It's been reported that your
8 return on investment is about 11 percent and some
9 people think that that's too high in this
10 environment.

11 MR. MARK: No. The return on investment that
12 we're asking for in this rate case is 11 percent.
13 And our actual return on investment for last year is
14 a little over 6 percent. And you can understand that
15 and if you look at last year and we talk about the
16 economic times the cost of borrowing money last year
17 was greater than 6 percent.

18 So it actually cost us more last year to borrow
19 the money that we used to invest in the
20 infrastructure to improve reliability than our actual
21 return on our investment. And --

22 MR. BRENNAN: There are people showing up at
23 these Public Service Commission hearings protesting
24 your rate increases and this is on the record, ladies
25 and gentlemen, the State of Missouri Public Service

1 Commission has a Transcript of Proceedings and this
2 one is from January 5th, 2010. The local public
3 hearing was held in Dexter, Missouri.

4 And they asked a one Mr. Burns who showed. He
5 wanted to protest and they asked for his address. It
6 was at 903 Manchester Street in New Hampshire. And
7 then they go to another fellow and they asked him
8 what his address is and I'll get that for you in just
9 a moment. He's also living somewhere around the
10 country. I'll get that for you just -- just around
11 the corner. I seemed to escape it because I'm
12 running through this transcript here.

13 Why are people from New Hampshire flying into
14 Dexter, Missouri, to protest electric rates? Here --
15 here's another one -- here's another one from
16 California. He gave his number. A little bit
17 bizarre.

18 MR. MARK: Well, it is a little bit bizarre.
19 It's the first time that we've seen anything like
20 this in a rate case. You have these groups coming in
21 -- we've had people reported there from Oklahoma,
22 people from Virginia that are basically organizers is
23 how the quot- -- classify themselves that are
24 basically bringing people to the meeting, encouraging
25 people. We encourage our customers to come to these

1 meetings and -- and the public hearings and that's
2 part of the process. We want to hear from our
3 customers, but we want to have our customers to hear
4 factual information and really understand.

5 The more the customers understand why we're
6 making these investments to have a safe and reliable
7 infrastructure the more -- the easier it is for them
8 to -- to really understand where we're trying to go
9 with this and why it's important.

10 MR. BRENNAN: Well, here -- here -- here's
11 another guy, Richard. His name is -- or a woman, Ms.
12 Dixon asked, you know, -- she's asked by a Public
13 Service Commissioner how much money do you make to
14 come to these protest meetings --

15 MR. MARK: Right.

16 MR. BRENNAN: And the person said \$2,500.

17 And the Commissioner said for what period, per
18 month. So people are paid \$2,500 a month to come in
19 from California and New Hampshire to protest electric
20 bills in Dexter, Missouri. So then we go to the --
21 you know, the website of this group which is, you
22 know, organizing these people and we see it's paid
23 for by this aluminum company, Noranda.

24 And Noranda's CEO recently spent \$48 million for
25 one piece of artwork. What's going to -- this is --

1 this is too good to be true.

2 MR. MARK: I -- I saw that article. I saw a
3 mention of that in, I think, it was Jerry Berger's
4 online column and I then looked up the copy of that
5 drawing, it wasn't a very good drawing for \$47
6 million, but, you know, I -- I --

7 MR. BRENNAN: There's no accounting for taste.

8 MR. MARK: -- don't understand this.

9 Ah, yeah. I don't -- we don't understand this.
10 I mean we want to talk to our customers. We want to
11 explain to them but this -- these other groups; we
12 think there needs to be some transparency. In fact,
13 there was an article in the Miami Herald where one of
14 the Commissioners on the Public Service Commission
15 was quoted as saying that they're asking for
16 transparency in this group. Who are they? Who's
17 putting up the money? And why -- what is the real
18 purpose behind this?

19 MR. BRENNAN: Is it true in Missouri some of
20 these companies which fund a group like this actually
21 have lower rates than the poorest of the poor?

22 MR. MARK: That is true. And many people don't
23 understand that. They think when you say an 18
24 percent increase that means everyone gets the same
25 rate. That's not true. What happens is that there

1 are certain groups that get together, they're called
2 interveners in a rate case and they can then make
3 decisions on how that rate case that -- those rates
4 are charged to different groups.

5 You have three basic payer groups; you have the
6 cust- -- the residential customers like you and I,
7 you have the industrial customers, they have a
8 different rate. Their rate right now is in the
9 average of a little over 4 cents for our large
10 industrial customer. The average residential rate is
11 about 7 cents. And then you have another group
12 that's called the extra large industrial customers
13 which we only have one customer in that group and
14 their rate is about 3.3 cents. So less than half of
15 what the average cust- -- residential customer would
16 pay.

17 MR. BRENNAN: Is that one customer Noranda
18 Aluminum?

19 MR. MARK: Well, I would just say there's one
20 customer in that group, yes.

21 MR. BRENNAN: One customer pays 3 per- -- 3
22 cents a kilowatt hour?

23 MR. MARK: Right.

24 MR. BRENNAN: And then in a --

25 MR. BRENNAN: Meanwhile, you might be living on

1 food stamps in north St. Louis you're paying 7 cents
2 twice what the largest --

3 MR. MARK: Correct.

4 MR. BRENNAN: Yeah.

5 MR. MARK: And, you know, if history -- I mean,
6 is -- repeats itself like it did in our last rate
7 case this group of industrial customers and other
8 interveners including to my surprise AARP,
9 representatives from AARP. They got in a closed
10 room. We were not allowed to participate in the
11 meeting. And then our last rate increase in '07 --
12 or '08 was for 7- -- 8 percent. They decided who
13 would pay the bulk of that 8 percent.

14 Actually, it was a little over 7 percent. I'm
15 sorry. But they then charged the resident- -- they
16 put 8 percent of that residential -- or the majority
17 of that rate increase went to residential customers
18 and then they put a smaller percentage of that rate
19 increase on the industrial customers and then another
20 smaller percent of it went to the large industrial
21 customer in that one group.

22 So it's not spread --

23 MR. BRENNAN: And who -- who did this?

24 MR. MARK: -- evenly.

25 MR. BRENNAN: The -- the PSC did this?

1 MR. MARK: No. This is a group of interveners;
2 it's called the Missouri Industrial Customers Group.
3 It's made up of some of the largest groups and it's
4 also a member -- Noranda is also one of their
5 members.

6 MR. BRENNAN: So when -- when push came to
7 shove, they go behind closed doors and they figure
8 that the largest companies get the smallest rate
9 increase; the little old ladies get the highest one?

10 MR. MARK: Correct. That's correct.

11 MR. BRENNAN: But why does the PSC allow that?

12 MR. MARK: Well, they're interveners and part of
13 the legal process is that they can have these
14 meetings and then they can come to what they call a
15 stipulation and they submit that and -- then the --
16 the Public Service Commission has to vote on it.
17 They can reject it, but in that case they did approve
18 it.

19 But it is something that when we have submitted
20 ours we have said that the rate increase, whatever
21 increase is granted should be across the board and
22 everyone is treated equally.

23 MR. BRENNAN: So in other words, the rates are
24 really finally decided by the PSC, --

25 MR. MARK: Right.

1 MR. BRENNAN: -- but there's this group of
2 interveners that include large businesses, they set
3 up the model --

4 MR. MARK: Correct.

5 MR. BRENNAN: -- which is put before the PSC --

6 MR. MARK: Exactly.

7 MR. BRENNAN: -- and surprisingly they gave
8 themselves the lowest rate increase and the little
9 old lady on food stamps the highest increase?

10 MR. MARK: Exactly. Yeah.

11 That's -- that's how the legal process worked.
12 We have made numerous suggestions. We think the --
13 the regulatory process in Missouri has been the same
14 for about 40, 50 years. We feel that it needs to be
15 revamped.

16 MR. BRENNAN: Wow.

17 MR. MARK: We've offered some suggestions of
18 proactive things that other states have done because
19 we're always looking back. We're trying to recoup
20 costs that we've already spent. There's some --
21 there's other states that have done it more
22 progressively and have moved it so that you don't
23 have that same type of rate shock for customers.

24 And so we've been advocates of looking at better
25 ways of doing it, but right now that's the regulatory

1 process that we have in Missouri. And we have to
2 abide by it.

3 MR. BRENNAN: Richard Mark is with us today from
4 AmerenUE. I find this to be an eye-opening or
5 perhaps ear-opening discussion. We're going to take
6 your phone calls at 436-7900, 800-925-1120. They're
7 just around the corner on "The Voice of St. Louis"
8 KMOX.

9 Charlie Brennan, on "The Voice of St. Louis"
10 your turn to ask about the shocking, electrifying,
11 illuminating discussion of electric rates in the
12 Missouri area. Richard Mark from AmerenUE is our
13 guest. John, good morning. You're on KMOX.

14 CALLER (John): Yes. Good morning to both of
15 you gentleman.

16 MR. BRENNAN: Good morning.

17 MR. MARK: Morning.

18 CALLER (John): I just wanted to say first off
19 I've taken a little personal responsibility and made
20 my house more energy efficient, you know, with
21 windows and a newer furnace, things like that. So my
22 electric bill is pretty low and I appreciate that.

23 You know, I don't want a major rate increase
24 but, you know, my dad's a retired electrical worker
25 and my main interest here is jobs.

1 Mr. Mark, it's my understanding some of these --
2 these companies that are -- that are -- you know,
3 running this campaign against you Ford and Noranda
4 and some of these other companies they've been
5 flashing jobs by the 100s and 1,000s in this state.
6 And I just wanted to hear from you, you know, Ameren
7 is a big employer in this state and will this type of
8 increase create more jobs and preserve jobs that are
9 already there?

10 MR. MARK: Well, obviously, it preserves jobs
11 that are already there. Ameren has done a lot to
12 tighten our belt, too. We understand these are
13 difficult times and -- and we're just not, you know,
14 sitting there doing nothing. We've cut about \$150
15 million out of our budget for -- between last year
16 and this year. We've actually eliminated about 250
17 management positions to reduce our cost.

18 However, you know, one of the things we look at
19 very carefully as when we cut costs is that we have
20 to have enough workers to respond in the case of an
21 emergency if we have a significant ice storm or snow
22 storm we have to have the workers there to get your
23 lights back on and keep your service reliable. And
24 so we kind of balance that and we try to make sure we
25 look at it regularly.

1 But we have taken significant belt cut- --
2 tightening actions to -- to lower the impact in the
3 future. But the one thing that I would point out
4 that's important about this rate case is that we're
5 talking about investments and recouping dollars that
6 have already been put into action to improve
7 reliability.

8 MR. BRENNAN: Which were demanded by your
9 customers after that ice storm two Decembers ago.

10 MR. MARK: That's right.

11 MR. BRENNAN: Hello, good morning, Ron, you're
12 on KMOX.

13 CALLER (Ron): Thank you, for taking my call,
14 gentlemen. I had a quick comment and question.

15 I understand that when Ameren merged with UE, UE
16 used to have a company called Asplundh that would do
17 routine maintenance for the tree service and they
18 dropped that and they adopted a policy called Risk
19 Management whereas they would just worry about it as
20 the time came and then when that ice storm hit it
21 just changed the whole spectrum of things and then
22 they had to get a company to come back and redo all
23 the tree work and everything and this is a result of
24 the -- of the increase, a lot of it is.

25 But I just want to say that, I think, Ameren

1 does a good job at what they do.

2 MR. MARK: Yeah. Well, thank you for the
3 compliment. The information you have there is a
4 litt- -- is not quite accurate. First of all, UE did
5 not -- was not acquired by Ameren. UE purchased
6 another utility company called CIPS over in Illinois,
7 in Springfield, Illinois, and then they deformed --
8 they formed a holding company called Ameren. So it
9 was not purchased.

10 Asplundh is one of the largest private tree
11 trimming electrical contractor companies in the
12 country. And they're a contractor for UE. They have
13 never been an employee of UE. They've always been a
14 subcontractor.

15 Prior to the ice storms we were spending \$23
16 million a year on trimming trees. We increased that
17 after the ice storm to about \$50 million because the
18 public demanded more reliability. They wanted us to
19 cut more trees even though these trees were not on
20 our property. We've done that and that's part of the
21 rate increase and we will continue to do that.

22 MR. BRENNAN: Eileen thanks for your phone call.
23 You're on KMOX.

24 CALLER (Eileen): Thank you very much. I
25 appreciate you allowing me to speak. I'm the

1 president of a homeowner's association of 128 homes
2 in St. Charles. The whole south side of 70 in the
3 City of St. Charles received contact by Volkert
4 Engineering that UE was going to be putting all the
5 lines underground and we -- when the process started
6 last fall, we signed all the easements, we waited, we
7 contacted and I was contacted and I was told by the
8 Volkert people nothings going to happen now.

9 I mean, all that money was spent with these
10 engineers out here planning --

11 MR. BRENNAN: The wires are going to go
12 underground? Now, it appears that's not happening?

13 CALLER (Eileen): No, sir.

14 MR. BRENNAN: It's a little bit of a narrow
15 concern for our broadcast today, but I don't know
16 Richard if you have a comment on that.

17 MR. MARK: Yes. I'd love to comment on it
18 because there's a lot of -- I'm not familiar with the
19 company she referred to, but one of our goals of
20 improving reliability was to underground lines. It's
21 a very costly endeavor but we felt it was important.
22 We've underground -- undergrounded over 30 miles of
23 overhead lines have been convert- -- 35 miles have
24 been converted to underground. We had a number of
25 other projects that were planned for late in '09 and

1 into '10 and '11; however, do to the economy and of
2 course the cutback our costs just do to the current
3 state of the economy we had to eliminate or put on
4 hold many of those programs.

5 MR. BRENNAN: Jeff, can you be real brief?
6 Hello.

7 CALLER (Jeff): Yeah. I just -- a couple of my
8 questions have already been addressed in regards to
9 the cutbacks. But I would just say that, right now,
10 I don't know that I have the opportunity to go down
11 to Home Depot to choose my electricity. So if I'm
12 chosen -- or if I'm limited to Ameren I really don't
13 need to see all that money being spent on commercials
14 and trying to --

15 MR. BRENNAN: Everyone asks about that. Why --
16 why do you spend money on KMOX, Fox 2, KSDK, et
17 cetera?

18 MR. MARK: Well, you know, it's a great
19 question. People don't understand it. First of all,
20 we don't spend a whole lot of money on media that
21 people think. We do spend some.

22 But if you notice every one of our commercials
23 says go to our website. In the spring we have
24 commercials about storms. You go to our website,
25 it'll tell you how to prepare -- a disaster, prepare

1 it in this package where you can know -- put radios
2 and batteries and food and water. If you look at
3 this time of the year we talk about energy
4 efficiency, give you tips so that -- if we're going
5 to have costs that are going to go up but if you can
6 save costs, you can save money.

7 MR. BRENNAN: Richard Mark, AmerenUE. We're out
8 of time. Thanks a lot for joining us today on KMOX.

9 MR. MARK: Thank you, Charlie. Thank you for
10 having us.

11 MR. BRENNAN: I really appreciate it.

12 (Audio concluded.)

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