



CITY OF CAPE GIRARDEAU

Office of the Mayor and City Council

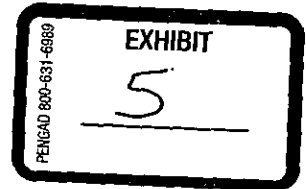
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Letter No. 07-04

January 3, 2007

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Hon. Jeff Davis, Chairman
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

Missouri Public
Service Commission

Dear Chairman Davis:

The purpose of this letter is to provide written comment on the request of AmerenUE to increase the company's electric and gas service rates in the Ameren service area. The City of Cape Girardeau has had a long-term relationship with AmerenUE dating back 25 years to their acquisition of Missouri Utilities Company of Cape Girardeau. We have a 20-year franchise agreement with AmerenUE that was approved by our voters November 5, 1991. Our comments relate to the working relationship between the utility and the City government, potential impacts of the increase on our Cape Girardeau corporate and private citizens and institutions, and impacts on our City government operations.

We very much recognize and appreciate Ameren UE's need to be a profitable, healthy utility in order to provide the best service possible to our region. We further understand and appreciate the Public Service Commission's role in determining the adequacies of the utility's revenue meeting the present and future energy needs of the region.

As Mayor of the City of Cape Girardeau, I have received numerous concerns from business and industry regarding the magnitude of the rate increase request. Increases for business and industry ranging from 24 to 43 percent will have a significant negative impact on some of the City's largest employers. These include Biokyowa Corporation, Buzzi Unicem Corporation, Southeast Missouri State University, and Southeast Missouri Hospital. These companies or entities will comment separately on their specific concerns and impacts. Needless to say, we are very concerned when our largest employers indicate they will be severely impacted by the substantial increase request.

Concerning the proposed residential rate increase of ten percent, I am concerned about our senior citizen and moderate income residents for whom this service is a necessity. According to the company, this will impact the average residential use by about \$12 per month or \$144 annually. I would point out that additional increased costs to the city would make it necessary to increase our rates for water and sewer services by approximately two percent, which

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could add further to this burden to the residential customers. We have approximately 14,000 residential and 2,000 non-residential city utility customers with a population of 36,000. Average secondary increase to water and sewer customers would be approximately \$6 per year additional cost.

Regarding the City of Cape Girardeau operations specifically, we would see an overall increase in our costs of over \$185,000 annually as a small primary customer. This would equate to an increase in our general fund tax levy of approximately 6 percent in addition to the water and sewer fund increases mentioned previously.

While the City has had a long-standing relationship with AmerenUE, we have seen a decline in the areas of corporate presence, communication, and response to service needs over the past five to ten years. Specifically, the utility closed its local corporate offices on Broadway approximately eight years ago. This virtually eliminated direct public contact and the historic corporate presence in the community which had been a part of the operating relationship for many years. Additionally, local phone access was eliminated in favor of 800 call center services eliminating the ability of local citizens contacting local company representatives regarding problems or concerns about the utility.

On August 19, 2006, the City of Cape Girardeau experienced a severe wind storm in the northeast section of the City. The winds toppled trees and power lines in the area causing extensive power outages in that area of the city. This affected approximately 1,000 households and some City facilities, including the City's water treatment plant. The initial response by AmerenUE was very limited due to the lack of personnel in the area. Additional crews and contract personnel were brought in and power was eventually restored late Sunday evening, August 20. Throughout this event, the City was in a bad position of having to communicate with the public on where Ameren's crews were located or what action was being taken to restore power. This was a lack of communication and coordination between Ameren officials and City officials needing to provide this information. While it was probable that Ameren crews were doing all that could be done to restore power, there was no communication to the people affected concerning this effort.

The City has also experienced delays in routine street light repairs and the relocation of utilities for public projects. These problems have caused complaints from adjoining businesses and residents about the lack of lighting and concern for crime in their areas. Additionally, delays in utility relocations have resulted in delays of public projects and issues with contractors carrying out this work. The most recent project involved the reconstruction of Mt. Auburn Road in Cape Girardeau. The Ameren utility poles remain today in areas where sidewalks need to be constructed or completed. We realize that there are matters that cause delays, but the communications and reasoning for such are lacking from the utility and create public perception problems from the City's perspective.

In summary, as Mayor, I am concerned about the magnitude of this increase and its negative impact on our citizens and major employers in our community. I am concerned that it comes at a time when the utility and its services are not at their best and there is no evidence or plan that these services will improve with this increase. The proposed rate changes will result in additional costs to corporate and private citizens in our community through needed city rate and

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tax increases. We would urge that you strongly consider the negative impacts of the magnitude of this proposed increase and modify the request accordingly. We appreciate your time and consideration to these issues, and I would be happy to respond further to any of these points.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Knudtson", with a large, sweeping loop at the beginning and a horizontal line extending to the right.

Jay B. Knudtson
Mayor

JBK:gc

cc Office of Public Counsel