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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
TRANSCRIPT OF PROCEEDINGS
Public Hearings
January 23, 2007
Nevada and Sedalia, Missouri
Volume 3

In the Matter of the Tariffs of)
Aquila, Inc., d/b/a Aquila)
Networks - MPS and Aquila)Case No.
Networks - L&P Increasing)ER-2007-0004
Electric Rates for the Services)
Provided to Customers in the)
Aquila Networks - MPS and)
Aquila Networks - L&P Service Area)

CHERLYN D. VOSS, Presiding
DEPUTY CHIEF REGULATORY LAW JUDGE
CONNIE MURRAY
STEVE GAW
LINWARD "LIN" APPLING
COMMISSIONERS

REPORTED BY: KIMBERLY G. ROBERTS

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APPEARANCES:

For the Company: MS. RENEE PARSONS
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20 West Ninth Street
Kansas City, Missouri 64105

and

MS. JANET E. WHEELER
MR. RUSS MITTEN
Brydon, Swearingen & England
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For AARP: MR. JOHN B. COFFMAN
Attorney at Law
871 Tuxedo Boulevard
Saint Louis, Missouri 63119

For the Office of MR. LEWIS MILLS
Public Counsel: Office of the Public Counsel
P.O. Box 2230
Jefferson City, Missouri 65102

For the staff of MS. JENNIFER HEINTZ
the PSC: Missouri Public Service
Commission
P.O. Box 360
Jefferson City, Missouri 65102

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

2 (Proceedings commenced at 6:00 p.m.)

3
4 JUDGE VOSS: We'll start with
5 some preliminary matters. Good evening. It's the
6 23rd of January, 2007. The Missouri Public
7 Service Commission is holding this public hearing
8 tonight to address customer issues regarding
9 Aquila seeking to implement a rate increase for
10 its electric service.

11 The Missouri Public Service Commission
12 regulates the rates charged by investor owned
13 utility companies in Missouri to assure that those
14 rates are just and reasonable. The Commission
15 also regulates the quality of service and safety
16 of operations of investor owned utilities.

17 The Commission is made up five
18 commissioners three of whom are here today. I am
19 Cherlyn Voss, regulatory law judge, who will
20 preside over tonight's hearing.

21 With me are Commissioner Connie Murray,
22 Commissioner Lin Appling and Commissioner Steven
23 Gaw.

24 This is an official hearing of the
25 Missouri Public Service Commission, and the

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1 statements and testimony will be recorded by a
2 court reporter and must be given under oath.

3 Not all of the commissioners are able to
4 be here tonight, but all of the commissioners will
5 have the opportunity to read the transcript from
6 this public hearing. So they will have access to
7 every person's remarks.

8 The purpose of this hearing tonight is to
9 hear from you on the subject of the proposed rate
10 increase. Tonight is your opportunity to testify,
11 and your remarks will be part of the official case
12 file in Aquila's rate case.

13 If you are unable to testify tonight for
14 any reason, there are fliers that you can pick up
15 at your respective facilities that will have a
16 space for you to do written comments. Those
17 fliers include both the Commission's mailing
18 address and fax number. You can fill out the form
19 tonight and give it to a staff member or fill them
20 out later and then mail or fax them in to the
21 Commission.

22 You can also enter your comments directly
23 by logging on to the Commission's website. The
24 website is located on the last page of the
25 information flier that you should have received at

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1 the public hearing.

2 If you have any questions, you can reach
3 the Commission's staff at 573-751-3234 or the
4 Office of the Public Counsel at 573-751-4857.
5 Again whether received live tonight, in writing or
6 through the Commission's website all testimony
7 will be part of the official case file and
8 provided to the commissioners and given equal
9 consideration.

10 For witnesses who wish to testify live I
11 will call the name of each witness who has signed
12 up to speak in the order you signed up. Since we
13 have two locations this evening we will alternate
14 one witness from each location until everyone has
15 had an opportunity to speak.

16 When I call your name, please spell your
17 name for the court reporter so she can get it into
18 the record correctly. I'll then ask a couple of
19 preliminary questions such as whether you're a
20 customer of Aquila. Then you will be able to make
21 your statement. Please stay at the microphone
22 because there may be questions from the
23 commissioners or the attorneys present. So do not
24 leave until you're excused. We want to make sure
25 that we get your full testimony into the record.

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1 We will end the hearing tonight when
2 everyone who desires to speak has had an
3 opportunity to do so. If a previous speaker has
4 already said the comments that you wish to make,
5 you may simply state that you agree with that
6 person. Okay.

7 Does anyone have any questions regarding
8 the procedures that we are going to follow this
9 evening?

10 Hearing none we will begin the public
11 hearing in the matter of the tariff filed by
12 Aquila, Inc., d/b/a Aquila Networks MPS and Aquila
13 Networks L&P increasing the electric rates for the
14 services provided to customers in the Aquila
15 Networks MPS and Aquila Networks L&P service
16 areas, Commission case number ER-2007-0004.

17 We will begin by taking entries of
18 appearance. Counsel for Aquila.

19 MR. MITTEN: Your Honor,
20 appearing on behalf of Aquila in Nevada is Renee
21 Parsons. Her address is 20 West Ninth Street,
22 Kansas City, Missouri 64105. In Sedalia is Janet
23 Wheeler, Brydon, Swearngen & England, 312 East
24 Capitol Avenue, Post Office Box 456, Jefferson
25 City Missouri and in Jefferson City is Russ Mitten

1 also of Brydon, Swearengen and England.

2 JUDGE VOSS: The Commission's
3 staff.

4 MS. HEINTZ: Jennifer Heintz on
5 behalf of the Missouri Public Service Commission.
6 Our address is P.O. Box 360, Jefferson City,
7 Missouri 65102.

8 JUDGE VOSS: Office of the
9 Public Counsel.

10 MR. MILLS: On behalf of the
11 Office of the Public Counsel and the public my
12 name is Lewis Mills. My address is Post Office
13 Box 2230, Jefferson City, Missouri 65102.

14 JUDGE VOSS: Are there any other
15 parties represented by counsel this evening?

16 MR. COFFMAN: This is John
17 Coffman here in Sedalia.

18 JUDGE VOSS: I'm sorry, John.

19 MR. COFFMAN: This is John
20 Coffman representing AARP, 871 Tuxedo Boulevard,
21 Saint Louis, Missouri 63119.

22 JUDGE VOSS: And I didn't hear,
23 John. Did you state who you are appearing on
24 behalf of?

25 MR. COFFMAN: Yes, I did. I am

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1 representing AARP.

2 JUDGE VOSS: Okay. Thank you.
3 Are there any other parties represented by counsel
4 this evening? Hearing none do the commissioners
5 have any opening remarks that they would like to
6 make this evening?

7 (No response.)

8 JUDGE VOSS: Okay, great. We
9 will call the first witness from Sedalia.

10 MS. BERNSEN: Judge Voss, we
11 have Ed and Donna Farmer.

12 ED FARMER: Just Donna.

13 MS. BERNSEN: Just Donna Farmer.

14 JUDGE VOSS: Are they going to
15 speak together?

16 MS. BERNSEN: No, just Donna is
17 going to testify.

18 DONNA FARMER
19 called as a witness herein, being first duly sworn
20 by the Judge, testified on her oath as follows:

21
22 JUDGE VOSS: Would you please
23 spell your name for the court reporter.

24 MS. FARMER: Donna, D-O-N-N-A,
25 Farmer, F-A-R-M-E-R.

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1 JUDGE VOSS: And are you
2 currently a customer of Aquila?

3 DONNA FARMER: Yes, I am.

4 JUDGE VOSS: Do you have
5 comments you'd like to make this evening?

6 DONNA FARMER: Yes. I believe
7 the 22 percent increase is too high of an
8 increase. We are on a fixed income, and we just
9 received a recent Social Security increase and
10 military retirement increase of I believe 3.3
11 percent. So I don't see why customers should bear
12 the brunt of the increases that Aquila is asking
13 for. That's my comment.

14 JUDGE VOSS: There's a delay in
15 the feed and I wanted to make sure you were
16 finished. Are there any questions or comments
17 from the commissioners, Commissioner Murray?

18 COMMISSIONER MURRAY: No
19 questions here but thank you.

20 COMMISSIONER GAW: Thank you
21 very much for coming, ma'am. Thank you for
22 coming.

23 JUDGE VOSS: Are there any
24 questions from counsel?

25 (No response.)

1 JUDGE VOSS: Thank you very
2 much, Ms. Farmer. You're excused. Can we have
3 the first witness from Nevada, please.

4 MR. WOOD: We have one witness
5 but they're not ready yet if we could go to
6 Sedalia and then come back.

7 JUDGE VOSS: That's fine. The
8 second witness from Sedalia.

9 MS. BERNSEN: The second witness
10 in Sedalia is Dale Hagerman.

11 DALE HAGERMAN
12 called as a witness herein, being first duly sworn
13 by the Judge, testified on his oath as follows:

14
15 JUDGE VOSS: Could you please
16 spell your name for the court reporter.

17 DALE HAGERMAN: Dale, D-A-L-E,
18 Hagerman, H-A-G-E-R-M-A-N.

19 JUDGE VOSS: And are you
20 currently a customer of Aquila?

21 DALE HAGERMAN: I am.

22 JUDGE VOSS: Do you have
23 comments you'd like to make this evening?

24 DALE HAGERMAN: Yes. There are
25 two primary purposes for my being here tonight.

1 I'm speaking as a customer and these are very
2 simple, but I think they're important to all of
3 us.

4 The first purpose is to urge you to give
5 primary consideration to the long run welfare of
6 the customers which Aquila serves. To do that I
7 realize the company providing utility services
8 must pay the cost of operation including a
9 realistic level of wages to their employees in
10 management and also earn a reasonable return for
11 the utility investors.

12 By reasonable and realistic I mean
13 calculated on current operating costs not
14 including the horrendous losses from Aquila's
15 ventures of several years ago which might have
16 been beneficial to their investors if the deals
17 had worked out, and they did cost the company
18 ridiculous salaries paid to at least one if not
19 others of those involved.

20 Customers of today have absolutely no
21 responsibility to make up any part of those
22 losses. By definition shareholders assume 100
23 percent of the capital risk of new ventures to
24 increase the value of the investment.

25 Realistic costs do include spending

1 what's necessary to keep the system in good
2 working condition along with wages adequate to
3 maintain a workforce that can't complain they're
4 being underpaid by comparison to the standards for
5 comparable work in the region. Anything less than
6 that won't provide the level of service which we
7 have a right to expect.

8 The second purpose, at the time of the
9 rate request in June coal and natural gas prices
10 were at or near the highest levels that they have
11 been in recent years if ever before. These levels
12 are most likely quite far ahead of the average
13 cost for coal, gas and other inputs for the next
14 few years at least.

15 Attached to my testimony are several
16 pages which may be useful to the Commission in its
17 study of this rate hike request. Hopefully you
18 have access to knowledgeable independent experts
19 to help you determine what the normal and expected
20 future energy input costs are likely to be, and
21 these items which I have attached are samples of
22 things which I think you just must use in arriving
23 at your decisions.

24 Certainly the prices of oil, coal and gas
25 which have prevailed since Katrina and related

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1 disasters of the summer of 2005 have not been
2 remotely normal in any sense of the word.

3 The attached sheets include two pages of
4 market commentary concerning today's energy
5 markets, and by today's I mean today, with
6 emphasis on natural gas prices and several prices
7 charged for three of the major coal producers in
8 the U.S.

9 These charts show stock price trends over
10 the past several years for Peabody Coal, Arch Coal
11 Company and Consol Energy. This represents the
12 dominant coal producers in Wyoming, the Midwest
13 and Appalachia which I suspect covers most of the
14 sources of coal available to Aquila.

15 The primary point I hope you will see in
16 these charts is that during the past year the
17 stock prices of coal companies have been vastly
18 higher than they were during the previous several
19 years and probably ever before. Am I hearing a
20 bell?

21 MS. BERNSEN: It's somebody's
22 phone.

23 DALE HAGERMAN: Okay. Why? You
24 will note that in May and early June of 2006 the
25 coal company stock prices were peaking. Then they

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1 started dropping soon afterwards back down to
2 today's prices which are something like 55 to 70
3 percent of the price that the coal companies were
4 trading at back in June.

5 What events or fears caused the market
6 traders to bid the prices so high? Two particular
7 things come to mind. The traders were determined
8 that last summer was going to be another summer
9 with catastrophic hurricanes on the order of
10 Katrina.

11 That was also the time period when we had
12 lots of concern over Iran and their nuclear
13 threats. This led to a lot of market speculation.
14 Natural gas futures traded at over \$15 compared to
15 what we closed at today, \$7.70, something on the
16 order of \$7.70 by comparison to double that back
17 in the summer.

18 Spot prices on coal skyrocketed. The
19 idea came about that coal could and should replace
20 a large part of imported oil, and this gained lots
21 of credibility. All of this and other things
22 played parts in the high prices that you see we
23 had on the charts.

24 Before you make the rate decisions I'm
25 asking you please get competent advice and

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1 forecasts on what realistic prices can be expected
2 to be in the future. We want adequate recompense
3 to the utility. We don't want to pay more for
4 things that are not our responsibility as
5 customers. Thank you.

6 JUDGE VOSS: Do you want that
7 marked as an exhibit to put into the record with
8 your testimony?

9 DALE HAGERMAN: These are from
10 the Internet and they're copies of prices, yes.
11 They are in the copies which I have submitted.

12 JUDGE VOSS: You gave them to
13 the court reporter?

14 DALE HAGERMAN: Yes, and I am
15 not expecting you to use these particular charts.
16 I am saying get someone who can interpret charts
17 such as this and make them a part of your
18 decision.

19 JUDGE VOSS: Thank you. That
20 will be marked as Exhibit 1.

21 (Exhibit Number 1 was marked for
22 identification by the Reporter.)

23 JUDGE VOSS: Commissioner
24 Murray, do you have any questions for this
25 witness?

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1 COMMISSIONER MURRAY: No, but
2 thank you, sir, for your testimony.

3 JUDGE VOSS: Commissioner Gaw.

4 COMMISSIONER GAW: Mr. Hagerman,
5 just real quick I want to thank you for taking the
6 time to do all that research and bring it in, and
7 I'm just wondering what your background was.

8 DALE HAGERMAN: I worked for
9 extension. I have been a county agent and farm
10 advisor but my degree is in economics, and
11 essentially whatever you do numbers work out to a
12 particular conclusion. I think that these numbers
13 are important in making the kinds of decisions
14 that are needed here.

15 COMMISSIONER GAW: Yes, sir, and
16 I really appreciate your perspective, and thank
17 you for your time and coming in, and be sure and
18 tell those engineers over there in Nevada that are
19 listening to you about how they should pay
20 attention to economists and see if they smile.

21 DALE HAGERMAN: I don't care if
22 they smile. I just want them to pay attention to
23 my compadres.

24 COMMISSIONER GAW: Thank you,
25 sir.

1 JUDGE VOSS: Commissioner
2 Appling, do you have any questions?

3 COMMISSIONER APPLING: No
4 further questions but thank you very much, sir.

5 JUDGE VOSS: Do any of the
6 counsel have any questions for the witness?

7 (No response).

8 JUDGE VOSS: Is the witness from
9 Nevada ready?

10 MR. WOOD: Yes, we have Gary
11 Charniga.

12 GARY CHARNIGA
13 called as a witness herein, being first duly sworn
14 by the Judge, testified on his oath as follows:

15
16 JUDGE VOSS: Would you please
17 spell your name for the court reporter.

18 GARY CHARNIGA: G-A-R-Y
19 C-H-A-R-N-I-G-A.

20 JUDGE VOSS: And are you
21 currently a customer of Aquila?

22 GARY CHARNIGA: Yes, ma'am.

23 JUDGE VOSS: Do you have
24 comments you'd like to make this evening?

25 GARY CHARNIGA: Yes, I do.

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1 JUDGE VOSS: Please proceed.

2 GARY CHARNIGA: The handout that
3 was given to me when I came into this room has
4 four items with money amounts attached to them.
5 I'm going to go from the lowest to the highest.
6 There's 7.4 million for system and operating
7 maintenance, 11.8 million for electric systems
8 investments, 28.5 million for fuel and purchase
9 power costs, and 46.8 million for new capacity to
10 serve the increased demand.

11 The last is the only area I have any real
12 question with, and my question is how has it
13 happened that the new capacity isn't being
14 balanced money wise by the increased revenue
15 generated from current and projected increases in
16 demand.

17 JUDGE VOSS: I'm sorry, is that
18 a question?

19 GARY CHARNIGA: That's a
20 question that's directed at Aquila and to the
21 Public Service Commission.

22 JUDGE VOSS: One second. If
23 there's someone from Aquila that might be able to
24 address that question with you there, this is the
25 opportunity for you to testify to the Commission,

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1 and the commissioners cannot answer questions at
2 this time.

3 GARY CHARNIGA: Okay. Well, the
4 Commission is involved directly in rate setting;
5 is that correct?

6 JUDGE VOSS: That's correct,
7 sir.

8 GARY CHARNIGA: So how has it
9 happened that the Commission hasn't kept just say
10 tabs on what's happening out in the rate world to
11 allow this to get to the point where we now have
12 to face a 46.8 million dollar bill to pay for
13 increased capacity that should have been seen
14 coming and we should have been able to pick this
15 up in the rate that we are currently paying?

16 JUDGE VOSS: Is there anybody
17 from staff at that location? Warren, is that
18 something you might be able to address with him
19 off the record and at least explain the principle
20 for him?

21 MR. WOOD: Yes, we can talk
22 about that off line.

23 JUDGE VOSS: I appreciate that.
24 I want to make sure that you get the best answer
25 you can from someone that will have an

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1 understanding.

2 GARY CHARNIGA: Thank you.

3 JUDGE VOSS: Please proceed with
4 your comments.

5 GARY CHARNIGA: No, I have no
6 more comments.

7 JUDGE VOSS: Okay. Commissioner
8 Murray, do you have any questions for this
9 witness?

10 COMMISSIONER MURRAY: No, I
11 don't but thank you, sir.

12 JUDGE VOSS: Commissioner Gaw.

13 COMMISSIONER GAW: Is it
14 Charniga, Mr. Charniga?

15 GARY CHARNIGA: Yes, sir.

16 COMMISSIONER GAW: First of all
17 thanks for coming tonight, and I just wonder if I
18 could say -- you asked a couple of questions, but
19 in those questions were you making a statement as
20 well that you're concerned about the rate increase
21 or are you just wanting to have answers to those
22 questions?

23 GARY CHARNIGA: I am asking a
24 question to the Commission basically about how did
25 this get to the point where we have a sudden rate

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1 increase requirement to balance a demand that
2 should have been covered by proper management both
3 by Aquila and the Commission.

4 COMMISSIONER GAW: And you're
5 concerned about that, right?

6 GARY CHARNIGA: Yes, sir, I am
7 because there's always tomorrow.

8 COMMISSIONER GAW: Yes, sir.
9 Well, I just want to make sure because if we just
10 turn this in to you have questions and not a
11 comment then we won't get necessarily your concern
12 on the record, and I wanted to make sure we did
13 that.

14 GARY CHARNIGA: Do you
15 understand my concern?

16 COMMISSIONER GAW: Yes, I do.

17 GARY CHARNIGA: Thank you. That
18 is all.

19 COMMISSIONER GAW: Yes, sir, all
20 right. I appreciate you coming.

21 JUDGE VOSS: Do the attorneys
22 have any questions for the witness?

23 (No response.)

24 JUDGE VOSS: You're excused.

25 Thank you very much for your testimony. Warren,

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1 is that the last witness from Nevada?

2 MR. WOOD: Yes.

3 JUDGE VOSS: Then we will
4 conclude the portion of the hearing that's being
5 conducted in Nevada and they may go off line or
6 whatever you call it, and we will take the next
7 witness from Sedalia.

8 MS. BERNSEN: Judge Voss, that
9 was the last witness we had. Let me ask again
10 does anyone else care to testify? We have another
11 witness. Hold on please. Judge Voss, I have
12 Albert Reine, Junior.

13

14 ALBERT REINE, JUNIOR
15 called as a witness herein, being first duly sworn
16 by the Judge, testified on his oath as follows:

17

18 JUDGE VOSS: Would you please
19 spell your name for the reporter.

20 ALBERT REINE: A-L-B-E-R-T
21 R-E-I-N-E Junior.

22 JUDGE VOSS: Are you currently a
23 customer of Aquila?

24 ALBERT REINE: I sure enough am,
25 yes.

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1 JUDGE VOSS: Please give your
2 comments.

3 ALBERT REINE: My comment is
4 that I do not believe that Aquila should raise
5 these rates without a provision for one net meter,
6 true net metering for photovoltaic panels for
7 solar energy.

8 If Aquila is going to raise all this
9 money, Aquila should be a leader in the industry
10 of green renewable energy, and I would ask that
11 the Commission just if they're going to raise
12 rates then they need to be responsible and make
13 green energy available. All the contracts, the
14 hookups, everything should be free for
15 photovoltaics and for wind so that our nation can
16 have it's called distributed energy. That's what
17 our nation needs to be free from our burden of oil
18 is distributed energy, and we have to have
19 photovoltaics or as most people know it as solar
20 energy and please, Aquila, be a leader in the
21 industry and help this happen. Thank you so help
22 me God.

23 JUDGE VOSS: Just one moment,
24 please. Commissioner Murray, do you have any
25 questions for this witness?

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1 COMMISSIONER MURRAY: I don't
2 but thank you, sir, for expressing that concern.

3 JUDGE VOSS: Commissioner Gaw.

4 COMMISSIONER GAW: I don't
5 either but thank you for coming tonight, sir, and
6 thank you for your opinion.

7 ALBERT REINE: It's free.

8 JUDGE VOSS: Are there any
9 questions from counsel?

10 (No response.)

11 JUDGE VOSS: The witness is
12 excused.

13 ALBERT REINE: Thank you.

14 JUDGE VOSS: Are there any
15 additional witnesses?

16 MS. BERNSEN: I don't believe we
17 have any more. That was the last one.

18 JUDGE VOSS: Well, then we will
19 conclude this public hearing.

20 (Proceedings concluded at 6:30 p.m.)

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I N D E X

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