

1 STATE OF MISSOURI
2 PUBLIC SERVICE COMMISSION
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6 TRANSCRIPT OF PROCEEDINGS
7 Public Hearing
8 September 18, 2008
9 Moberly and St. Charles, Missouri
10 Volume 11
11
12 In the Matter of Union Electric)
13 Company d/b/a AmerenUE's Tariffs)Case No.
14 To Increase Its Annual Revenues)ER-2008-0318
15 For Electric Service)
16
17 COLLEEN M. DALE, Presiding,
18 CHIEF REGULATORY LAW JUDGE
19 TERRY JARRETT,
20 COMMISSIONER
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23
24 REPORTED BY:
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MIDWEST LITIGATION SERVICE

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

2 JUDGE DALE: Good evening, it's September
3 18, 2008, we're here for a local public hearing of the
4 Missouri Public Service Commission in the matter of
5 Union Electric Company d/b/a AmerenUE's tariffs to
6 increase annual revenues for electric service, Case
7 No. ER-2008-0318.

8 My name is Colleen Dale. I have with me
9 Commissioner Jarrett. We are here to have members of
10 the public come up to the podium to speak, and then,
11 if you'll please remain at the podium so that
12 Commissioner Jarrett and I can ask you any questions
13 that we may have.

14 With that, let's begin with entries of appearance
15 in St. Charles.

16 MS. TATRO: Wendy Tatro, that's T as in Tom
17 A-T-R-O, 1901 Chouteau Avenue, St. Louis, Missouri, on
18 behalf of AmerenUE.

19 MR. DANDINO: Michael Dandino, deputy
20 public counsel for the Office of the Public Counsel,
21 Post Office Box 2230, Jefferson City, Missouri 65102,
22 representing the Office of Public Counsel and the
23 public.

24 JUDGE DALE: Thank you. Are there any
25 others in St. Charles?

1 Are there any attorneys in Moberly?

2 MR. FREY: Dennis L. Frey representing the
3 Staff of the Missouri Public Service Commission, Post
4 Office Box 360, Jefferson City, Missouri 65102.

5 JUDGE DALE: Thank you. I think we all see
6 there is a significant delay in the video feed, so
7 if -- when anyone is talking, if they will please
8 indicate that they are finished, so that if there is a
9 question, that can be asked and we are not cutting
10 each other off.

11 With that, we will begin with our witnesses in St.
12 Charles.

13 MS. KREMER: Judge, we have two witnesses.
14 We have Mr. George Gholston, G-H-O-L-S-T-O-N, Junior,
15 and Ms. Patty DeGonia, D-E capital G-O-N-I-A.

16 JUDGE DALE: Let's start with Mr. Gholston,
17 please.

18 Will you please raise your right hand?

19 GEORGE GHOLSTON,
20 Of lawful age, being first duly sworn by the
21 Notary Public, testified as follows:

22 JUDGE DALE: Thank you. Go ahead and give
23 us your remarks.

24 MR. GHOLSTON: First, off the record, with
25 all due respect to the AmerenUE employees and

1 Mr. Voss, who took the time to come here, I do have to
2 say what I have to say.

3 Now, on the record, I found in the Missouri Public
4 Service Commission mission statement this sentence:
5 In proceedings before the Commission, rates are set to
6 give the utility company an opportunity, but not a
7 guarantee, to earn a reasonable return on its
8 investment after recovering its prudently incurred
9 expenses.

10 Keeping this sentence in mind, let's look at
11 AmerenUE's method of recovering prudently incurred
12 expenses.

13 In, I believe, the mid or late 1990's, Union
14 Electric, or AmerenUE, made the decision to eliminate
15 their tree trimming crews and contract out this vital
16 part of their infrastructure maintenance to tree
17 trimming crews -- contractors, excuse me.

18 On the surface that decision seems benign, but UE
19 failed to manage, monitor and inspect the work
20 performed by these tree trimming contractors. These
21 contractors had somewhat of a free hand and would
22 merely report how many miles of tree trimming was
23 performed and received a check from AmerenUE for the
24 alleged work performed.

25 UE took a page from the late night informational

1 company, Ronco. "Set it and forget it." AmerenUE
2 took the position that we don't have this part of our
3 business to be concerned with and we can concentrate
4 on such things as pursuing the purchase of power
5 companies in Illinois and how to scheme rate increases
6 from the Missouri Public Service Commission.

7 Power outages from this period became larger and
8 more frequent until it reached a peak during the
9 summer of 2006 when we had what AmerenUE management
10 called the storm of the century. A day or two later
11 there was another storm of the century and later that
12 year there were more storms of the century.

13 I have no exact figures on the number of power
14 outages during this approximately six to seven-month
15 period, from July of 2006 until January of 2007, but I
16 can certainly estimate that the outages were between
17 two and 2.5 million customer outages with many of us
18 out of service on multiple occasions.

19 AmerenUE has one of the best public relations
20 departments. They have the ability to equivocate a
21 negative image problem into a positive image by
22 omitting certain vital facts. Their press releases
23 told us these were the storms of the century. Well,
24 actually, there were storms, so they didn't exactly
25 lie; however, they omitted the vital fact that many of

1 the easements, alleys, and right-of-ways had not had
2 vegetation removed that was detrimental to their power
3 infrastructure for as long as ten years. Due to the
4 neglect by AmerenUE, and because of their lack of
5 managing, monitoring and inspecting their
6 infrastructure, many of these areas resembled forests.

7 Here's why: While AmerenUE was finding ways to
8 get rate increases, the tree trimming contractors were
9 doing very little tree trimming because there was no
10 oversight from AmerenUE management. In other words,
11 while AmerenUE was plotting ways to rip us off, their
12 tree trimming contractors were ripping them off.

13 AmerenUE is now playing catch up on their
14 neglected tree trimming and it's costing a tremendous
15 amount of money; however, it's work that should have
16 been performed many years ago. The extra expenses
17 incurred as a result of AmerenUE mismanagement should
18 not be factored into prudently incurred expenses
19 during these rate increase comment evidentiary
20 hearings.

21 In addition to neglecting their tree trimming,
22 AmerenUE has also neglected maintenance to their
23 infrastructure architecture for years. I made this
24 Commission aware of several deficiencies in AmerenUE
25 neglected infrastructure at the rate increase hearings

1 at the Wohl Center in St. Louis on January 2nd, 2007,
2 and provided Exhibit 1 which had photographs of a very
3 small sample of AmerenUE's neglected infrastructure.

4 Again, AmerenUE is now playing catch up on
5 maintenance due to mismanagement and now must allocate
6 a tremendous amount of extra funds to bring their
7 infrastructure up to an acceptable and reliable level.
8 These extra expenses should not be factored into
9 prudently incurred expenses during these rate increase
10 comment evidentiary hearings.

11 AmerenUE has applied for a fuel adjustment clause,
12 and, at this time, they have purchased power as a
13 rider to the request. AmerenUE wants a separate line
14 item added to customer bills for fuel adjustment.

15 The ability for AmerenUE to recover the cost for
16 fuel if the price rises is already in place. The cost
17 of fuel is factored into prudently incurred expenses
18 that is used to calculate their rate of return.
19 Should their rate of return fall below 10.25 percent
20 then they can apply for an overall rate increase.

21 There is absolutely no need for a separate line
22 item on AmerenUE's customer bills for fuel adjustment
23 other than to allow their unscrupulous executives and
24 managers an accounting advantage over their customers,
25 and the Missouri Public Service Commission, and it

1 gives AmerenUE a backdoor increase.

2 I've pondered why AmerenUE wanted to add purchased
3 power as a separate line item on their customer bills,
4 and I could not come up with a scenario that would
5 favor or would not negatively impact AmerenUE's
6 customers.

7 I found that Ameren Corporation, the parent
8 company to AmerenUE, transferred power plants that
9 were owned by AmerenUE, a regulated utility company,
10 to a non-regulated subsidiary of Ameren Corporation.
11 I found it astounding that power plants, or possibly
12 other assets that belonged to a regulated utility
13 subsidiary, could merely be transferred by the parent
14 company to a non-regulated subsidiary.

15 I think that's the same thing that Jesse James and
16 his gang did; transferred money from banks to the
17 saddlebags on their horses. That used to be called
18 stealing, but Ameren Corporation executives call it
19 transferring. I wonder why Ameren Corporation
20 executives haven't been indicted for transferring --
21 giving away -- AmerenUE assets to a non-regulated
22 subsidiary and why executives of non-regulated
23 subsidiaries have not been indicted for receiving
24 transferred -- stolen -- property.

25 If a separate line item is granted for purchased

1 power, I believe I know from what company the
2 purchased power will be purchased from.

3 Here's a hypothetical situation: AmerenUE has to
4 close power plants for maintenance, refueling or for
5 environmental retrofitting. If additional power is
6 needed to replace the regulated power plants that are
7 off-line, then perhaps Ameren Corporation can come up
8 with a non-regulated company that can provide the
9 needed power.

10 This is the ironic part: The customers of
11 AmerenUE would be paying a surcharge for purchased
12 power that is supplied by a non-regulated power plant
13 that had previously been owned by AmerenUE until it
14 was illegally transferred from Ameren Corporation to a
15 non-regulated subsidiary.

16 I don't believe that this is the way of recovering
17 prudently incurred expenses. I believe this is the
18 way to fraudulently and unethically add charges to a
19 customer's bill and thus provide AmerenUE with a
20 backdoor rate increase and greater profits than the
21 rate of return would provide, and it would also
22 benefit the non-regulated subsidiary by broadening
23 their customer base and increasing their profits from
24 a power plant that they never built or paid for.

25 My final point is my most critical point and it

1 also pertains to recovering prudently incurred
2 expenses. The Taum Sauk Reservoir breach was an
3 avoidable catastrophic event. I read the Missouri
4 Highway Patrol report on this incident, and I was
5 shocked by the incompetence of and the lack of
6 training that individuals at this facility possess.

7 An unknown individual at the facility actually
8 raised the water probes above the highest level that
9 the water in the dam could reach and the backup probe
10 was wired in a series with the main probe instead of
11 in parallel. It was as if the probes were not even
12 there.

13 My concern now is that -- is not that it happened,
14 because a settlement has been reached with AmerenUE
15 and all the affected parties, my concern is regarding
16 the \$450 million settlement that the AmerenUE
17 customers were not supposed to have to pay for.

18 Executives of Ameren Corporation, or AmerenUE,
19 have indicated that they are going to rebuild this
20 facility and will add upgrades that they want the
21 customers of AmerenUE to pay for. It was my
22 understanding that the settlement specified that the
23 customers of AmerenUE would not have to pay to rebuild
24 this facility.

25 And how can you possibly distinguish between

1 rebuilding costs and upgrade costs? That facility is
2 almost 50-years-old so everything is an upgrade.

3 Gary Rainwater, the president and CEO of Ameren
4 Corporation, indicated in his annual report that most
5 of the costs associated with rebuilding this facility
6 and restoring this area would be covered by insurance,
7 excluding fines and penalties. I would really like to
8 know the name of their insurer.

9 I hope that the Missouri Attorney General, the
10 Missouri Department of Natural Resources, the Missouri
11 Secretary of State, and you, the Missouri Public
12 Service Commissioners, will monitor AmerenUE very
13 closely to ensure that the settlement is adhered to by
14 AmerenUE.

15 It just seems odd to me that on Thursday,
16 June 19th, 2008, AmerenUE sold \$450 million of senior
17 secured notes to repay a portion of their
18 short-term -- their outstanding short-term debt. In
19 Ameren Corporation's annual report the short-term debt
20 for AmerenUE was \$82 million. Why would AmerenUE sell
21 \$450 million of senior secured notes to satisfy a
22 portion of the \$82 million in short-term debt? Just
23 something to think about.

24 AmerenUE should not get a rate increase or
25 separate line item -- or a separate line item to

1 charge for fuel adjustment and for purchased power.
2 AmerenUE's executives and managers need to more
3 effectively and prudently manage their company.

4 I have cited several management decisions that
5 have cost AmerenUE approximately \$1 billion. If
6 AmerenUE was to receive everything they had requested,
7 it would not correct their real problem. Their real
8 problem is incompetent executives and managers.
9 Without competent executives and managers there is no
10 amount of money that will enable their company to be
11 successful and obtain maximum profitability.

12 AmerenUE needs qualified executives and managers
13 who can provide competent, ethical and effective
14 management and leadership with the ability to
15 prudently manage AmerenUE's assets.

16 The State of Missouri allows AmerenUE to operate
17 under a tariff, and they have territorial boundaries.
18 AmerenUE is a licensed monopoly with a captive
19 customer base. And that is a good thing. Because in
20 states where attempts were made to allow private
21 competition, it was harmful to consumers. However, as
22 a regulated power company, AmerenUE has a fiduciary
23 responsibility to manage their company effectively and
24 prudently. AmerenUE has done this -- has not done
25 this, and their parent company, Ameren Corporation, is

1 as bad or worse.

2 Gary Rainwater stated in his annual report that
3 AmerenUE would be seeking smaller but more frequent
4 rate increases from the Public Service Commission.
5 How does Rainwater know in advance that AmerenUE will
6 need future rate increases, how much, and when?

7 Perhaps it would be good for Rainwater to look
8 from within Ameren for ways to boost earnings rather
9 than predicting the need for future rate increases and
10 to honestly assess his executives and managers to
11 determine if these individuals in key positions are
12 prudently managing AmerenUE and its assets and truly
13 deserve the bonuses and stock options that he seems to
14 so easily hand out to executives and managers who have
15 wasted approximately a billion dollars.

16 I hope that you, as Commissioners, will be able to
17 stand by your Missouri Public Service Commission
18 mission statement and do the right thing.

19 I'm finished if you have any questions.

20 JUDGE DALE: Thanks, Mr. Gholston.

21 Commissioner Jarrett?

22 COMMISSIONER JARRETT: Mr. Gholston, thank
23 you for coming tonight. I want to compliment you.
24 Your comments were very organized and detailed and
25 easy to understand. I don't have any questions, but I

1 just want to thank you for putting your testimony into
2 the record. Thank you.

3 MR. GHOLSTON: Does Ameren have any
4 questions? I guess they don't, or they are not
5 allowed to.

6 MR. DANDINO: For the record, you are a
7 customer of AmerenUE; is that correct?

8 MR. GHOLSTON: Yes, I am.

9 MR. DANDINO: That's all I wanted.

10 JUDGE DALE: For the court reporter, that
11 was Mr. Dandino of the Office of Public Counsel asking
12 that question.

13 We're ready for Ms. DeGonia.

14 MS. DeGONIA: Hello, my name is Patty
15 DeGonia.

16 PATTY DeGONIA,
17 Of lawful age, being first duly sworn by the
18 Notary Public, testified as follows:

19 JUDGE DALE: Please go ahead and give your
20 remarks.

21 MS. DeGONIA: My name is Patty DeGonia, and
22 I'm Vice President on the board of directors at Sugar
23 Tree Homeowners Association.

24 Our cables and our electric lines are all buried,
25 and even though they keep saying that we have no

1 problems, we continue to have problems.

2 Our most recent problem is -- I've got pictures
3 here. I was notified by Jim, that was the only thing
4 he gave us. He sent a note to our office saying they
5 would like to trim the trees on Dunn Road between Old
6 Halls Ferry and 367 and would we permit them to trim
7 our trees.

8 Actually, we don't have any trees that are
9 bordering that area, it's an easement. But we do
10 maintain the easement. So I met with him, and I said,
11 "Absolutely, there would be no problem." I said, "We
12 have our own tree service. If you have branches or
13 trees that you cannot remove off of the property, lay
14 them along side of the outside of the road like you
15 always do and we will take them away, we will have the
16 tree service pick them up."

17 He said there would be no problem and there would
18 be a service to pick them up. So I said, "Just do
19 that whenever it's convenient for you."

20 So I was leaving the house one day. And as I'm
21 pulling out, I see a Nelson's truck a little bit down
22 the road.

23 This is the view of our outer road. Can you see
24 that?

25 JUDGE DALE: Yes.

1 MS. DeGONIA: He was down at the end, at
2 this end, and I stopped and asked him, I said, "Are
3 you trimming our trees today?"

4 No one in the crew spoke English. Which is no
5 problem with me as long as they can get the job done
6 properly. He kept saying, "Another man, another man."
7 And I said, "Another man is coming?" Of course, I
8 don't speak Spanish so I don't know what he was
9 saying.

10 So I left. And when I came back there was another
11 man, and he spoke a little bit of English. And I
12 said, "You are trimming the trees on this area, we
13 must maintain this borderline. It is in our bylaws
14 that we maintain this hedging along the side of the
15 road." Which is the same picture I just showed you.

16 When I came back, just to go out and see what they
17 were doing, they had cut all of the trees from farther
18 down the road past us and they had knocked down a part
19 of our hedge and stuck all this shrubbery in the back.
20 It's a giant hole in our hedge. Right there. A giant
21 hole in our hedge where they just chopped it down and
22 pushed all of these limbs back into our property
23 behind the hedges.

24 I told him, "You can't do that." I said, "You are
25 not allowed to do that." They said okay. So I said,

1 "Now, don't do it anymore, don't do it. Lay them
2 down, and if we have to, we'll be happy to pick them
3 up."

4 So I left again. And, unfortunately, I should
5 never have left, because this is our sign. This is
6 our entryway. That says Sugar Tree Homes.

7 Now, we used to have a beautiful tree right in the
8 middle, right behind the tree sign, right here, and it
9 was a canopy that came over the white sign. As you
10 see, the canopy is -- the sign is here, the lines are
11 eight feet away.

12 The top of the tree did not go into the lines,
13 because, as I said, we have our own tree service and
14 we keep our trees trimmed. We have spent \$25,000 in
15 the last year because of the storms.

16 When I came back they had cut every branch off of
17 this tree and there's nothing but a giant tree trunk
18 sticking up behind this sign. Every branch right to
19 the tree trunk. There's just nothing. I was
20 absolutely shocked.

21 All the homeowners called me and said, "I can't
22 believe what they're doing there, what are you doing?"
23 And I said, "I'm not doing anything, but let me go
24 see."

25 I said, "You'll have to take it down now." The

1 guy said, "No branches, no branches." And I said,
2 "Why did you cut all the branches?" And he said, "Off
3 the lines." I said, "They weren't in the lines."

4 This is behind our sign. They are eight feet
5 away. Eight feet away from here.

6 So I said, "You have to cut it down and haul it
7 away." Well, this is what is behind our sign. He cut
8 it down, as you see, and they are all laying right
9 there behind our sign.

10 Not only that, he had other brush that he just
11 pulled out, that he cut, and just threw it behind the
12 sign. So all of this rubbish is right here behind our
13 sign.

14 So now I tried to find somebody at Nelson's who
15 spoke English. No one knew. I could never find
16 anybody. I called and talked to someone at the
17 service center, and they said, "We'll make a note on
18 it."

19 They were actually working down the road on
20 Jerries Lane, and I went down and talked to the man
21 there. And I said, "I would like for you to come up
22 and take these logs." He said, "Just call in and keep
23 calling."

24 So, this is in June. And I've been calling since
25 June. The rubbish and the logs are still behind the

1 sign. Not only did they destroy our entryway, they
2 took down a perfectly healthy tree and they never came
3 to remove it.

4 This is the kind of service that we are going to
5 have an \$8 increase for. I think it's absolutely a
6 crime.

7 As I said, I'm on the board of directors. Our
8 residents are rather old because they moved in when
9 the place was new. Everyday we get someone who says,
10 "I'm sorry, I can't pay the maintenance fee." "I'm
11 short on my maintenance fee." "I'm going to try to
12 pay it." "I've never been behind before." "I don't
13 have the extra money." Yet, they are wanting an \$8 a
14 month increase. For what?

15 Our electricity went out on Sunday -- my neighbor
16 next door is on oxygen. And there's a transformer
17 right outside my door. One of those big green -- I
18 guess it's a transformer. It's a big green square
19 thing.

20 I had been calling for the last three or
21 four weeks saying that it's making very loud knocking
22 sounds. They finally sent some guy out, and he stood
23 on my front steps and said, "These things always make
24 noise, why are you making me take an extra trip out
25 here?" I said, "It's making noise."

1 Well, about two weeks ago, when we had the storm,
2 it blew up and black smoke was boiling up. I called
3 the emergency number, and they said, "We'll get
4 someone there as quickly as we can."

5 This goes also to my neighbor who is on oxygen.
6 So I ran over and knocked on the door and said,
7 "Convert over to your mobile because the electricity
8 is off." She's an older lady, she's in her 80's. So
9 I called her sons.

10 And it took at least until -- this was early
11 evening, like six o'clock. It took until two in the
12 morning for someone to come out and take a look at it.

13 This had boiling smoke coming out of the
14 transformer. And the noise was so loud that you could
15 hear it at the next house over -- the next block over,
16 it was that loud. And it still is.

17 Matter of fact, it happened again Sunday night.
18 It sounds like somebody is in this tin thing with a
19 sledgehammer. It's a tremendous sound. And yet, we
20 are paying \$8 a month more for this kind of service.

21 As I said, our lines are underground. And every
22 time the wind blows crooked, or for no reason at all,
23 our electricity goes out.

24 This is the third or fourth of these meetings I've
25 been to; in July when it happened, in December when it

1 happened, last year when it happened, and here I am
2 again. And the service is not getting any better.
3 Thank you.

4 JUDGE DALE: Thank you, Ms. DeGonia. Could
5 you get a copy of those pictures to Lisa -- who is
6 seated behind you -- so we can put them in our record?
7 Thank you.

8 Commissioner Jarrett?

9 COMMISSIONER JARRETT: Thank you. I
10 appreciate your testimony tonight. I want to make
11 sure that, for our staff people, will you make sure
12 they have your name and contact information so they
13 can follow-up on some of the issues you talked about
14 this evening?

15 MS. DeGONIA: I sure will. Thank you.

16 COMMISSIONER JARRETT: Thank you. I
17 appreciate your testimony and giving your comments.
18 It's been very helpful.

19 JUDGE DALE: Is there anyone at either side
20 who wishes to testify?

21 MS. KREMER: I don't believe so, Judge.

22 MS. MANTLE: There's no one here in
23 Moberly, Judge.

24 JUDGE DALE: In that case, I will conclude
25 this hearing and we'll go off the record.

1 Thank you all very much for coming and giving us
2 your information tonight. It's been very helpful.

2 your information tonight. It's been very helpful.

3 (WHEREIN, the recorded portion of the hearing was
4 concluded.)

4 concluded.)

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4	GEORGE GHOLSTON	4
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1 CERTIFICATE OF REPORTER

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4 I, Mindy Vislay, Certified Court Reporter with the
5 firm of Midwest Litigation Services, and Notary Public
6 within and for the State of Missouri, do hereby
7 certify that I was personally present at the
8 proceedings had in the above-entitled cause at the
9 time and place previously described; that I then and
10 there took down in Stenotype the proceedings had; and
11 that the foregoing is a full, true and correct
12 transcript of such Stenotype notes so made at such
13 time and place.

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Mindy Vislay, CCR

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Notary Public (County of Cole)

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My commission expires March 19, 2011

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