

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

TRANSCRIPT OF PROCEEDINGS

Local Public Hearing

June 29, 2010

Hannibal High School
4500 McMasters Avenue
Hannibal, Missouri 63401

Volume 3

In the Matter of Atmos) File No. GR-2010-0192
Energy Corporation's)
Tariff Revision Designed)
To Implement A General)
Rate Increase For Natural)
Gas Service in The)
Missouri Service Areas Of)
The Company)

HAROLD STEARLEY, Presiding
DEPUTY CHIEF REGULATORY LAW JUDGE
ROBERT CLAYTON, III, Chairman

KEVIN GUNN, Commissioner

REPORTED BY:

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

2 (June 29, 2010 at 6:00 p.m.)

3 JUDGE STEARLEY: Good evening. It's
4 Tuesday, June 29, 2010. The Missouri Public Service
5 Commission has set this time for a local public hearing in
6 File NO. GR-2010-0192 in the matter of Atmos Energy
7 Corporation's Tariff Revision Designed to implement a
8 general rate increase for its natural gas service in
9 Missouri.

10 My name is Harold Stearley, and I'm the
11 regulatory law judge presiding over tonight's hearing.
12 With me tonight are Chairman Clayton and Commissioner Gunn.
13 And before we begin, I'll ask if the Chairman would like to
14 make an opening statement.

15 CHAIRMAN CLAYTON: Thank you, Judge
16 Stearley. My name is Robert Clayton. I'm chairman of the
17 Missouri Public Service Commission. I want to thank the
18 Hannibal or Northeast Missouri Customer who have come out
19 to either testify or receive some information regarding
20 their gas service or get some questions answered.

21 We have changed our process of how we do
22 local public hearings. If you've been to a hearing that
23 we've conducted in this room in the past, we're doing
24 things differently. We're trying to make this a two-way
25 dialogue and give you a full opportunity to ask questions

1 about exactly what does the Public Service Commission do,
2 how are rates set, what are the issues that come up in the
3 cases, and how do the commissioners actually decide cases.

4 Who are the commissioners? There are five
5 of us. Two of us are here tonight. Commissioner Gunn is
6 to my right. A transcript will be made of -- of the
7 testimony portion of this event, and all the commissioners
8 will have the ability to review any comments that are
9 received.

10 The point that I'm hoping that we can convey
11 to you is that we are an agency of about 180 to 200 people
12 that dig into the books of each utility which we regulate,
13 and then the staff will provide recommendations to the
14 Commission, and ultimately, following a trial-type setting,
15 the commissioner will make a decision on the case.

16 So we look forward to receiving your
17 testimony. I hope you take advantage of getting your
18 questions answered with the staff and the company officials
19 who are here, and I look forward to the discussion ahead.

20 Thanks.

21 JUDGE STEARLEY: Any opening statement
22 from you, Commissioner?

23 COMMISSIONER GUNN: Nothing to add,
24 except thanks everybody for taking time tonight to come
25 talk to us. We look forward to listening to you. This is

1 an important part of the process, and we're glad to hear
2 what you have to say.

3 JUDGE STEARLEY: All right. We'll
4 begin by taking entries of appearance of counsel, starting
5 with Atmos Energy Corporation.

6 MR. DORITY: Thank you, Judge Stearley.
7 Appearing on behalf of Atmos Energy Corporation Larry
8 DORITY with the law firm of Fischer and DORITY. We're
9 located in Jefferson City at 101 Madison, Suite 400,
10 Jefferson City, Missouri 65101.

11 I have provided a written entry of
12 appearance previously, and, Judge, for your benefit and the
13 Commissioners, there are a number of company personnel that
14 are with us this evening. They have been introduced, and
15 have already had the opportunity to have some dialogue with
16 the folks that are here this evening.

17 Thank you.

18 JUDGE STEARLEY: Thank you, Mr. DORITY.

19 On behalf of the staff of the Missouri
20 Public Service Commission.

21 MR. RITCHIE: Thank you, Judge.
22 Representing the staff of the Missouri Public Service
23 Commission San Ritchie, P. O. Box 360, Jefferson City,
24 Missouri 65102.

25 JUDGE STEARLEY: Thank you, Mr.

1 Ritchie. And for the Office of Public Counsel.

2 MR. POSTON: Thank you. Marc Poston
3 appearing for the Office of Public Counsel and the public.

4 JUDGE STEARLEY: Thank you, Mr. Poston.

5 And I don't believe any of the interveners
6 have counsel present tonight. We'll just let the record
7 reflect that they had an opportunity to make an appearance.

8 With that, we'll begin with our witness list
9 starting with Mr. Robert Rapp. And we do have a microphone
10 at the podium. If it's uncomfortable for people to stand,
11 you can pull up a chair here and you can sit, however it's
12 comfortable for you. We would like get you all up here and
13 hear your comments.

14 If you could begin please by stating and
15 spelling your name for our court reporter.

16 MR. RAPP: Robert -- R-O-B-E-R-T --
17 Rapp -- R-A-P-P.

18 JUDGE STEARLEY: Thank you, Mr. Rapp.
19 If you'd raise your right hand.

20 (Thereupon, Mr. Robert Rapp was sworn
21 on his oath by Judge Stearley.)

22 You may proceed.

23 MR. RAPP: Thank you, Judge, Mr.
24 Chairman, Commissioner. I'm here to read a letter to the
25 Commission that Rachel Bringer prepared. She's our

1 representation from the 6th District, and she was unable to
2 attend personally. She asked me to read this letter to the
3 Commission.

4 "Dear Members of the Public
5 Service Commission:

6 "I am writing to oppose the
7 rate increase proposed by Atmos
8 Energy that would affect
9 individuals in the Sixth
10 Legislative District of Marion and
11 Ralls Counties. I am unable to
12 attend the hearing in person
13 because the legislature has been
14 called into Extraordinary Session
15 in Jefferson City. I am grateful
16 to the Marion County Assistant
17 Prosecuting Attorney Robert Rapp
18 for presenting this letter to the
19 Commission on my behalf.

20 "The proposed increase would
21 cause significant hardship for
22 senior citizens, working families,
23 and individuals with disabilities.
24 Due to increased unemployment and
25 changes in the local, state, and

1 national economy, many northeast
2 Missouri families currently
3 struggle to meet monthly
4 obligations for food, shelter, and
5 utilities, and for more than a
6 year, local food banks and
7 community service agencies have
8 experienced a significant increase
9 in requests for assistance from
10 families in need. In addition,
11 political subdivisions, including
12 municipalities and school
13 districts, have experienced a
14 sharp decrease in revenue.

15 "I respectfully request that
16 the Public Service Commission deny
17 the request of Atmos Energy for a
18 rate increase.

19 "Sincerely,

20 "Rachel L. Bringer, State
21 Representative District 6."

22 So with your permission, I'd like to present
23 this to the Chairman.

24 JUDGE STEARLEY: Certainly you may, and
25 we will mark that as Exhibit 1 for this hearing.

1 MR. RAPP: Thank you.

2 JUDGE STEARLEY: And before you sit
3 down, Mr. Rapp, let me inquire if the Commissioners have
4 any questions.

5 CHAIRMAN CLAYTON: Do you have anything
6 else you want to add, Mr. Rapp?

7 MR. RAPP: No, I just echo what she
8 says. Just one -- one small point. All these utilities
9 are monopolies, so they have to be regulated. Enjoying a
10 legal monopoly in our economic system is a huge break that
11 the people have no power to control the monopoly. Only the
12 Commission can help us, and keep the playing field equal.

13 So we appreciate your work, and hope you do
14 the right thing.

15 COMMISSIONER GUNN: Thank you, Mr.
16 Rapp.

17 CHAIRMAN CLAYTON: Thank you very much
18 for being here, and thank you for bringing the letter from
19 Representative Bringer.

20 JUDGE STEARLEY: And before you sit
21 down, just let me check. Commissioner Gunn do you have any
22 questions?

23 COMMISSIONER GUNN: Let me just -- just
24 as a general matter. You're an Atmos customer; is that --
25 are you an Atmos customer?

1 MR. RAPP: I am no an Atmos. I'm all
2 electric.

3 COMMISSIONER GUNN: Got it. Okay. I
4 was going to ask you some general questions about any
5 billing problems or service issues, but in that case, I
6 don't have any questions for you.

7 MR. RAPP: I couldn't really speak to
8 that.

9 COMMISSIONER GUNN: Understand. Thank
10 you very much for bringing -- bringing the letter. We
11 certain understand why she is session.

12 CHAIRMAN CLAYTON: Judge, I have a
13 question.

14 Are you happier with your electric service
15 or with your gas service, or which are you more unhappy or
16 less unhappy with? You don't get gas service. Are you
17 happy with your electricity, sir?

18 MR. RAPP: Yes, I have Ralls County.

19 CHAIRMAN CLAYTON: Oh, you're on a
20 co-operative. So you're not on a public utility?

21 MR. RAPP: Correct.

22 CHAIRMAN CLAYTON: Okay. Thank you
23 very much.

24 JUDGE STEARLEY: And I need to inquire
25 just to be sure if there are any counsel who have any

1 questions for this witness?

2 MR. DORITY: No questions.

3 MR. POSTON: No questions.

4 MR. RITCHIE: No questions.

5 JUDGE STEARLEY: Thank you very much.

6 And I believe Counsel received the same exhibit in our
7 prior hearing today. Any objections to the admission of
8 this exhibit?

9 MR. DORITY: No, Judge.

10 JUDGE STEARLEY: Hearing none, Exhibit
11 1 will be received into evidence.

12 (Thereupon, evidence was marked for
13 identification and received into the record as
14 Exhibit No. 1.)

15 COMMISSIONER GUNN: Just for the
16 record, I think it's slightly different.

17 JUDGE STEARLEY: Oh.

18 COMMISSIONER GUNN: It's slightly
19 different because it mentions Mr. Rapp. I don't think the
20 previous letter did.

21 JUDGE STEARLEY: Counsel will need to
22 see a copy of this.

23 MR. DORITY: It will be in the file, I
24 suppose?

25 JUDGE STEARLEY: Yes, it will.

1 MR. DORITY: Thank you, Judge.

2 JUDGE STEARLEY: All right. Our next
3 witness is Ronald Walden. Mr. Walden, if you'd please
4 state and spell your name for our court reporter.

5 MR. WALDEN: My name is Ronald Walden
6 -- R-O-N-A-L-D W-A-L-D-E-N.

7 JUDGE STEARLEY: All right. And if
8 you'd please raise your right hand.

9 (Thereupon, Mr. Ronald Walden was sworn
10 on his oath by Judge Stearley.)

11 Thank you. You may proceed.

12 MR. WALDEN: Thank you. It's kind of
13 hard to go beyond what Representative Ringer stated, but
14 there's a couple of points that I would also like to make.
15 And I thank you all, Atmos Energy and the Public Service
16 Commission, for having this meeting, and I'm kind of
17 disappointed that more people aren't here to put their
18 views forth too. I think that's normal anymore.

19 There's a couple of points that it was
20 mentioned that the investor's return -- they were
21 requesting a 10.9, and the Public Service I think more or
22 less came in with a 9.45 investor's return. And I'd just
23 like to make the statement that I would love to make a 9.45
24 percent rate of return on any of the investments that I
25 have.

1 I think that -- I think it would be great,
2 but I think in this day and age that it's actually -- I
3 don't think it's prudent. I really don't. I agree that we
4 would all love to make a 9.45 percent investment increase
5 -- or a return on our investment. I think that this is
6 just asking for a little bit too much from customs who also
7 have a lot of burden on their backs to begin with.

8 And I am one of the senior citizens, and we
9 have not had any increases in any of our benefits, our
10 Social Security checks, our retirement funds. They've all
11 -- none of them have been increased nowhere near this right
12 here, and even though a lot of the customers have done
13 what's been asked of us. We put in windows this year --
14 last year, I'm sorry, energy-efficient windows.

15 Well, we're just going to keep our head
16 above the water. We -- our increase on our windows that we
17 did see a decrease in our bill, but now that's all going to
18 be enough with this increase that's being asked for.

19 We thought before the meeting starting with
20 the information sheet that you gave us, that we were going
21 to see a 53 percent rate increase. Well, as you explained
22 tonight if -- if this is a fact, this only -- I still think
23 it's too much. If it's an actual, at the end of the year,
24 a 9 percent rate increase.

25 And I don't see how people, especially in

1 this day and age and those on a fixed income, how they can
2 keep their head above the water, how they can -- how they
3 can keep going at this rate.

4 Thank you.

5 JUDGE STEARLEY: All right. Before you
6 sit down, Mr. Walden, I need to see if there's any
7 questions. Mr. Chairman?

8 CHAIRMAN CLAYTON: Mr. Walden, thank
9 you very much for coming tonight. Can I ask you a few
10 questions --

11 MR. WALDEN: Yes.

12 CHAIRMAN CLAYTON: -- about your
13 testimony.

14 MR. WALDEN: Yes.

15 CHAIRMAN CLAYTON: First of all, why --
16 when you installed your energy-efficient windows, did you
17 do that as part of like a government program or maybe a
18 federal tax credit program, or did you just make that
19 decision on your own, to -- to put in new windows?

20 MR. WALDEN: We made the decision on
21 our own realizing that there was a tax incentive out there
22 for us. We couldn't use it because we didn't meet the
23 guidelines. There -- there was a tax break for individuals
24 that -- that could file.

25 CHAIRMAN CLAYTON: But you made the

1 decision to go ahead and purchase energy efficiency --

2 MR. WALTEN: Yes.

3 CHAIRMAN CLAYTON: -- products rather

4 than --

5 MR. WALTEN: Yes.

6 CHAIRMAN CLAYTON: -- not energy

7 efficient?

8 MR. WALTEN: Absolutely.

9 CHAIRMAN CLAYTON: Okay.

10 MR. WALTEN: Absolutely.

11 CHAIRMAN CLAYTON: And how long have

12 you had those windows; is it --

13 MR. WALTEN: This will be our -- going

14 on a year.

15 CHAIRMAN CLAYTON: Going on a year. Do

16 you have an idea; can you -- can you quantify how much

17 energy you save or how much money you think you saved on

18 gas and electric because of those windows? Have you put a

19 pen to paper and figured it out?

20 MR. WALDEN: No, I haven't, but we did

21 actually see a decrease in our therm usage and in our

22 electric usage with the air-conditioner. We've noticed a

23 big decrease in both bills.

24 CHAIRMAN CLAYTON: Good.

25 MR. WALDEN: So actually it was worth

1 it, and I would recommend it to anyone.

2 CHAIRMAN CLAYTON: How long do you
3 think it will take for it to pay for those -- pay for those
4 windows or pay for the extra cost?

5 MR. WALDEN: I would think six to eight
6 years.

7 CHAIRMAN CLAYTON: Take six to eight
8 years, okay. Okay.

9 MR. WALDEN: That's just an estimate.

10 CHAIRMAN CLAYTON: Okay. Are you happy
11 with -- do you live in Hannibal or --

12 MR. WALDEN: Yes.

13 CHAIRMAN CLAYTON: -- are you from
14 Palmyra?

15 MR. WALDEN: Yes.

16 CHAIRMAN CLAYTON: Are you happy with
17 the service you receive from Atmos Energy?

18 MR. WALDEN: Not especially.

19 CHAIRMAN CLAYTON: Really?

20 MR. WALDEN: No, sir.

21 CHAIRMAN CLAYTON: Can you give me some
22 feedback as to what -- what's wrong or what problems you
23 have.

24 MR. WALDEN: About two months ago we
25 noticed -- we were outside cutting grass and trimming, and

1 we noticed that the front of our yard out by the drive, we
2 noticed the smell of gas, a strong smell of gas. And I
3 called Atmos, and immediately they sent someone out there.
4 They were on top of it, and this utility worker, the gas
5 man, he probed and he found the leak. And he chased it
6 back to our house, and he said back towards our house, that
7 we were still safe in that area.

8 It was still leaking out front, and I'm
9 standing there waiting, "What are you going to do about
10 it?"

11 "Well," he says, "we're not going to do
12 anything about it. This whole area out here is scheduled
13 to be replaced with the cast iron tube, the upgraded lines,
14 next year."

15 Yes, sir, and I'm thinking well -- I asked
16 him, I said, "What happens if somebody comes by and flips a
17 cigarette and boom?"

18 He said, "No, that wouldn't happen," because
19 it was just not the right circumstances. That couldn't
20 happen.

21 Well, through the rains and everything that
22 we've had, apparently the ground has settled, and I haven't
23 noticed a strong gas smell out there again. But that still
24 is a area of concern for us, and I don't think that we
25 really got the right response.

1 CHAIRMAN CLAYTON: Do you mind, what
2 part of town do you live in?

3 MR. WALDEN: We're neighbors to the
4 college.

5 CHAIRMAN CLAYTON: Neighbors to the
6 college. So right -- right out this direction?

7 MR. WALDEN: Yes, sir. Yes, sir.

8 CHAIRMAN CLAYTON: All right. There's
9 been an extensive main replacement program going on
10 throughout the town, and it's been going on for a number of
11 years.

12 But you know, it may be worthwhile for you
13 to touch base with some of the representatives that are
14 here tonight. Safety is a very important issue to the
15 Commission, and especially when the ground starts drying
16 out, as the summer wears on, you may start smelling that
17 gas again.

18 And from my perspective, that's a real
19 concern to me, and so I -- I think you need to talk with
20 our staff that are here.

21 Tom, would you raise your hand, and maybe
22 some of the Atmos folks, and maybe we can get some better
23 answers. I'd be interested to know what level the leak --
24 what classification of leak that is. There's different
25 numbers, and I'd be -- I'd be very interested to hear --

1 MR. WALDEN: Okay.

2 CHAIRMAN CLAYTON: -- what it is.

3 MR. WALDEN: It was -- it was a strong
4 enough smell that it alarmed us that -- that we did call
5 them.

6 CHAIRMAN CLAYTON: Yeah.

7 MR. WALDEN: It wasn't very -- it
8 wasn't faint. At that time it was before all the rains
9 came, and I would imagine everything just accumulated.

10 CHAIRMAN CLAYTON: I think that's
11 exactly right. I think that's exactly right. I think when
12 the ground dries out, it starts separating and more gas can
13 come up. So I would urge you to touch base with the staff
14 and the Atmos officials here tonight.

15 MR. WALDEN: Thank you.

16 CHAIRMAN CLAYTON: All right. Thank
17 you very much.

18 MR. WALDEN: Thank you.

19 JUDGE STEARLEY: Hold on just a minute,
20 sir.

21 MR. WALDEN: I'm sorry.

22 JUDGE STEARLEY: That's all right.

23 We'll check with Commissioner Gunn and see if he also has
24 questions.

25 COMMISSIONER GUNN: You know, the

1 Chairman asked most of my questions, so I don't have
2 anything else, but these lawyers might --

3 MR. WALDEN: Okay.

4 COMMISSIONER GUNN: -- might ask you
5 some questions.

6 JUDGE STEARLEY: Any questions from
7 counsel? Mr. Dority?

8 MR. DORITY: No, no questions. Mr.
9 Walden, thank you for your testimony. I -- Ann Goldy is
10 our operations manager for Atmos for this area, and she's
11 holding her hand up back here. And we'll make sure that
12 you have an opportunity to visit with her about the gas
13 smell. We want to get to the bottom of that as well.

14 MR. WALDEN: Okay. And that wasn't my
15 purpose for coming to the meeting tonight.

16 MR. DORITY: Absolutely understood.

17 JUDGE STEARLEY: Thank you.

18 CHAIRMAN CLAYTON: Thank you.

19 JUDGE STEARLEY: Next on our list I
20 have Mr. David Klassen. Okay. Mr. Klassen, if you would
21 please state and spell your name for our court reporter.

22 MR. KLASSEN: Yes. I am Klassen, and
23 that is David -- D-A-V-I-D. Klassen is K-L-A-S-S-E-N.

24 JUDGE STEARLEY: All right. Mr.
25 Klassen, if you'd please raise your right hand.

1 (Thereupon, Mr. David Klassen was sworn
2 on his oath by Judge Stearley.)

3 Thank you. You may proceed.

4 MR. KLASSEN: I am a resident of
5 Hannibal. I retired from John Seimens and moved here in
6 2003. I came to Hannibal because my wife was born and
7 raised here, a classmate of Mr. Clayton's father. And we
8 found it a wonderful place to be retired. We bought a new
9 home here in 2003. And in anticipation of inflation, we do
10 have gas as well as electricity and water from Hannibal
11 Utility, and we have not had any problems or issues with --
12 with Atmos on their service.

13 I was curious -- and I say, as reflected in
14 the question I asked earlier, it really wasn't clear to me
15 from the insert in our bill, and that was the source of my
16 knowing about this hearing, why exactly Atmos was asking
17 for an increase. And you know, assuming that it might have
18 something to do with the prices of natural gas, I -- I went
19 to my computer and started digging into various sites, and
20 one of the first thing that came up was a Department of
21 Energy site.

22 I was looking for a history of natural gas
23 prices, and I was almost overwhelmed with information.
24 This is a list of different kinds of prices that are at the
25 Department of Energy website. None of them seem to match

1 exactly what I see on a daily basis if I look at the
2 financial channel that is out there. But I chose off of
3 this long list the well head price, and I downloaded that
4 information, and I made a graph that goes back to the year
5 2005, calendar.

6 I made -- if I went back much farther, back
7 in the 1990s, there were numbers that were all the way down
8 here between one and two dollars. This is the dollar price
9 per thousand cubic feet, which is the -- the standard way
10 in the market of reporting that information.

11 I started with 2005 because of aware of a
12 kind of interesting phenomenon that happened back there.
13 This is January. This is August and September on the
14 graph, and this goes up to December. What happened in the
15 meantime was Hurricane Katrina. Katrina caused a lot of
16 the natural gas platforms in the Gulf to be temporarily
17 shutdown. There was a temporary spike in prices that were
18 around \$6 per thousand cubic feet. This is above ten.

19 I guess my -- I'm getting old, and my memory
20 isn't acting perfectly. I thought it spiked up as high as
21 17, but maybe that was a different measure. This is again
22 the well head measure. Anyway, it came back down quite
23 rapidly as you can see. So by the time we get into 2006
24 here, the price is back around \$6. And it fluctuated here
25 for several years.

1 I remember an analyst on -- on the financial
2 channel that I -- I often watch saying the gas natural gas
3 has been trading in a narrow range, and it's about to break
4 out, and we think it will break out to the up side. You
5 know, all these phrases I'd never heard about until I
6 retired and started listening to the financial channel.

7 And sure enough, it did break out to the up
8 side, so all of a sudden here in late 2008, the net price
9 of natural gas got as high as almost \$12 per thousand cubic
10 feet.

11 Well, 2009 came. We know what happened to
12 our economy in 2009. People have been foreclosed on don't
13 have houses and can't buy natural gas to heat their houses.
14 Industries where sales have gone down don't use as much
15 natural gas to produce things, and so with much less
16 natural gas being used, the price of natural gas fell
17 precipitously through 2009.

18 So here in the last year or so Atmos and
19 other people who buy natural gas have really been getting a
20 break. This number is under \$4 per thousand cubic feet.
21 It has recently spiked up a little and come back down.
22 This number is just under four. The price that I copied
23 down off the financial channel today is on one of the
24 pieces of paper I brought with me here. If I remember
25 correctly, it was \$4.17, or something very close to that,

1 per thousand cubic feet.

2 So if you just eyeball this, you know, I've
3 been trained in statistic, and if I were trying to put a
4 straight line through this, I think it would actually slope
5 downward and not upward overall. So the price of energy in
6 the market obviously is not a justification for a price
7 increase for Atmos.

8 Another possible reason that I thought about
9 and wondered about has to do with the acronym CWIP,
10 C-W-I-P. This became an issue when AmerenUE was asking the
11 State to change some legislation to help them financial
12 building a second nuclear power plant down at Callaway.
13 And the State -- and please if I misunderstood something
14 like this, I hope someone will correct me, but the State
15 declined the -- the application of Ameren to go along with
16 the change in state law.

17 CWIP stands for construction work in
18 progress. In states where it is legal to have CWIP, a
19 utility can increase the price ahead of time in
20 anticipation that they can generate money from a price
21 increase to pay for something that they want to construct
22 in the future.

23 Unless there's been a change that I'm not
24 aware of, that is contrary to Missouri law at the present
25 time. It would be just as inappropriate for Atmos as for

1 Ameren or any other utility to ask for an increase so that
2 they can build something in the future. And that was one
3 reason for my initial question, is this based on what you
4 are constructing in the past or is it based on what you
5 plan to do in the future.

6 Because if this increase was being based on
7 a plan to build things in the future, I believe it would
8 violate CWIP. Now, aside from that, I've gotten an
9 explanation that I didn't have before I came into this
10 hearing, and I'm appreciative of all the information I've
11 received here, that -- that these increases are
12 fundamentally not based on -- on the energy prices, and
13 it's based on the operating cost.

14 Oh, okay. Here's the thing I was looking
15 for. I misquoted. I think it was yesterday's price I
16 quoted you. Today at the close of market a thousand cubic
17 feet of natural gas was listed at \$4.548. That's that. So
18 pardon me for my error.

19 I would like to second what the other
20 witnesses here have said already about investments. I
21 became nervous a couple of years ago, and decided that I
22 did not want to remain invested in stocks, and so I went to
23 Vanguard and I put the retirements funds that my wife and I
24 had into Treasury money markets, and so I didn't
25 participate in the downward trend of the market in the last

1 few years. Of course, I didn't participate in the upward
2 trend in the past year either.

3 But with Treasury funds, I'm getting less
4 than 1 percent interest per year. So something like 8 or 9
5 or 10 percent sounds like an awfully, awfully high number
6 to me. Unless it's been changed since the last time I paid
7 attention, the prime rate is still officially in the range
8 from 0 to one-quarter of 1 percent. All of those numbers
9 are much, much lower than the 10 percent and 9 percent and
10 other numbers that have been talked about here.

11 And so, you know, I'm thinking that again
12 for a company that is granted the advantages of being a
13 monopoly, this seems to me to be an awfully high rate of
14 return.

15 I'd like to note that I am the chair of a
16 committee here in Hannibal, the Hannibal Citizens Energy
17 Conservation Committee. The general manager of Hannibal
18 Board of Public Works, Don Willis, before he retired a
19 couple of years ago, asked some citizens to come together
20 because he knew we would have some major increases in the
21 price of electricity in Hannibal. And so our committee is
22 looking broadly at ways we can help people in Hannibal to
23 save on their energy costs in general, and that's one
24 reason why I'm interested, and that's one reason why I'm
25 here tonight.

1 I'd like to thank Mr. Clayton and the other
2 Commission members because I've heard multiple stories
3 about how diligent you are and how -- how much you have
4 labored on behalf of citizens in Missouri to keep our
5 prices fair and reasonable. And so I would like to thank
6 you, Commissioners, for the work that you do.

7 Thank you.

8 JUDGE STEARLEY: Thank you.

9 CHAIRMAN CLAYTON: Judge, may I ask?

10 JUDGE STEARLEY: Yes.

11 CHAIRMAN CLAYTON: First of all, thank
12 you for that -- for that kind unsolicited comment, I want
13 to be clear. It was very nice.

14 Was Don Willis, was he a classmate of yours?

15 MR. KLASSEN: No, my -- my own wife was
16 a classmate of your father's.

17 CHAIRMAN CLAYTON: But I think Don
18 Willis was in that too.

19 MR. KLASSEN: Was he. I had not heard
20 that.

21 CHAIRMAN CLAYTON: All right. I
22 thought he was.

23 MR. KLASSEN: Well, if he was, I had
24 not heard that.

25 CHAIRMAN CLAYTON: Well, it's nothing

1 like having a Hannibal specific conversation video-taped
2 and on the record.

3 MR. KLASSEN: Well, it's a small town.

4 CHAIRMAN CLAYTON: Okay. Hannibal
5 Citizens Conservation Committee, I'm -- I'm very excited to
6 hear that Mr. Willis put that together. I've worked with
7 Mr. Willis in the past on some issues, and I am delighted
8 to hear that. Energy efficiency and conservation efforts
9 at education and helping people, empowering people has
10 really been a theme of our commission in recent years.

11 Do you all interact with Atmos Energy --

12 MR. KLASSEN: We just --

13 CHAIRMAN CLAYTON: -- with this group?

14 MR. KLASSEN: No. We -- our focus has
15 been to interact with the board of the Hannibal Board of
16 Public Works, specifically addressing the energy -- the
17 electricity increases that came about, the biggest one of
18 course 18 months ago when there was a single 38 percent
19 increase on average.

20 CHAIRMAN CLAYTON: January 1, 2009.

21 MR. KLASSEN: Yes, uh-huh. And we
22 were, you know, trying to figure out anything we could do
23 to help people, you know, ease the pain of that. We
24 published things in the local newspaper. We tried to help
25 people.

1 CHAIRMAN CLAYTON: I think that's
2 great. Let me just tell you out of the last rate case
3 associated with Atmos, a collaborative organization was
4 created with Atmos and with some other people in Jefferson
5 City, the Office of Public Counsel, the staff, the PSC
6 staff that are -- that are represented here and that are
7 here today, other state holders, and they are working on
8 these very issues.

9 And in fact, Atmos has a number of programs
10 in place that the Commission approves funding for --
11 whether it be shareholder money, whether it be rate payer
12 money, where we have a program. I think there's
13 information back on that table about if you want to upgrade
14 your water heater, you can get a rebate for that. If you
15 want to redo your furnace, there's a -- there's a way to do
16 that.

17 And the reason why I mention this is that
18 really you should possibly be either a part of this group
19 or getting information from the group because as you
20 organize your educational efforts, you know, natural gas is
21 a big part of it, and the benefits that would be derived
22 from the investments on this side may also be very
23 beneficial on the electric side. And I think Hannibal has
24 a lot of problems with its power. It's going up. There's
25 been some spikes here recently.

1 So I would encourage you to meet with the
2 Atmos officials and get some information because I think
3 that would be a great place for you all to work together in
4 the common goal. Okay.

5 MR. KLASSEN: I appreciate that
6 information very much, Commissioner, and that sort of
7 segues to one other thing. I wasn't sure if this hearing
8 is the appropriate venue for it, but let me just throw it
9 out there and tell me to stop if you want to.

10 The final bill that the regular sessions of
11 the House passed, the House Omnibus Bill 1692, contained a
12 section that amazed me when I heard about it, delighted me.
13 Starting at Section 67.2800 in the bill, it say, "Section
14 67.2800 to 67.2835 shall be known and may be cited as the
15 Property Assessment Clean Energy Act."

16 There's an acronym for that. The acronym is
17 PACE. I first heard about this several years ago because
18 it was thought of in the City of Berkley, California, and I
19 read something about it.

20 The basic idea is that if you want to
21 conserve energy or if you want to create energy through
22 some alternative energy system, you could apply to some
23 organ of government, and in Berkley it was actually applied
24 to the City. They would bring -- they would hire a company
25 that would install solar panels or whatever was

1 appropriate. They would pay for it up front, but then they
2 would -- just as if they had done a public sidewalk in
3 front of your house, they would put a property assessment
4 lien on your property that would extend over the next 20
5 years.

6 So this improvement to your property would
7 be something you owned and you could pay it off over 20
8 years. So it wouldn't be a high-cost thing. That system,
9 my understanding is, has caught on like wildfire in
10 California. There is a whole association of government
11 agencies, and to be a member of that association, cities
12 and counties are paying a \$5,000 membership fee. It's a
13 really hot item there.

14 This part of this bill that is currently on
15 the Governor's desk is what I would think of as enabling
16 legislation to do it here in Missouri. I was fortunate
17 enough to get Rachel to attend my committee meeting a week
18 ago today, and the bad news she gave is that since it's an
19 omnibus bill, it has many different things in it, and
20 there's a lot of controversy over a different section.

21 There's a section that has to do with
22 mechanics liens, and it might make it more difficult for a
23 self-contracting person to get paid if the general
24 contractor messes something up. So the Governor may not
25 sign it this year, but the Governor told Rachel to tell

1 everybody he likes PACE. If this legislation can move
2 forward at the state levels perhaps next year, the Governor
3 would almost certainly sign it.

4 So it is my hope that the opportunity for
5 individuals and companies to do this and in this
6 legislation anything that conserves energy and anything
7 that generates alternative energy would be a candidate.

8 So whether we do it on a regional basis, the
9 legislation provides for multiple units of government to go
10 together or individual cities to do it. I'm hopeful that a
11 year from now we will be looking for the opportunity for
12 people to make use of this kind of legislation to move
13 forward with individual energy projects.

14 I think that that could involve a company
15 like Atmos because some of those projects might involve the
16 use of natural gas. That certain is something where I
17 think the Commission might ask itself a question. If all
18 of a sudden we're going to have more and more energy
19 produced at the individual business level or the individual
20 residential level, as opposed through a utility, what, if
21 any, role should our Commission think about playing in the
22 orderly development of these operations.

23 So that's a part of the future of Hannibal
24 that I feel very excited about. If we don't get it now,
25 then maybe we have a year to get organized and up and

1 running so that we can take better control over energy
2 costs by generating the energy ourselves.

3 So I'm very high and excited about PACE, and
4 I'm hoping that whatever is an appropriate role for the
5 Commission could enter into that, and if there are ways
6 that this organization that Atmos is connected to can
7 participate in helping something like that to happen, I
8 would really love to hear from that organization and work
9 with it.

10 CHAIRMAN CLAYTON: That's great.

11 MR. KLASSEN: Thank you.

12 CHAIRMAN CLAYTON: Gay Fred, way in the
13 back, are you part of that collaborative with Atmos?

14 MS. FRED: Yes.

15 CHAIRMAN CLAYTON: Is there any way we
16 can set up a dialogue or include comments, or how would we
17 go about doing that?

18 MS. FRED: I think we can include you.
19 If I can get your information, we'll just get you included.

20 CHAIRMAN CLAYTON: Or at least get him
21 on a mailing list to receive information or, you know,
22 whatever they're capable of doing. Anyway, Gay is back in
23 a -- is it a green jacket, and that'd be great. Thank you.

24 MR. KLASSEN: Thank you very much, sir.

25 JUDGE STEARLEY: Mr. Klassen, before

1 you sit down, let me just inquire. Commissioner Gunn, do
2 you have any questions?

3 COMMISSIONER GUNN: I actually do.
4 First of all, thank you very much for your presentation.
5 It was -- it's great when you are extraordinarily informed
6 about what's going on, and I appreciate that very much.
7 And I think that PACE also had some pretty good bipartisan
8 support, and so it's not -- there is hope for it next year
9 coming through.

10 I just had a question about Atmos specific.
11 Have you had the opportunity to either look at their
12 website or take a look at other materials that they have
13 regarding conservation and energy efficiency?

14 MR. KLASSEN: I haven't done that, no.

15 COMMISSIONER GUNN: Okay. Well, we
16 certainly would appreciate, either through the committee or
17 someone taking a look at those, and maybe a final comment
18 later in the case about how you think that those -- whether
19 you think that there should be more information, whether
20 you think their information is good or whether you think
21 their information is delivered in an easily understandable
22 format to people for people to get to. You can continue to
23 make -- this isn't the only forum in order to make comments
24 in.

25 MR. KLASSEN: Okay.

1 COMMISSIONER GUNN: Because part of
2 what you're talking about is something that we always take
3 a look, and I think even the company really would like to
4 see is energy efficiency and conservation and program
5 information to be conveyed in the best easily understood
6 format to -- to consumers.

7 We've heard good things about it in the
8 past, so it's always great to have another set of eyes on
9 the subject. So --

10 MR. KLASSEN: I would be happy to do
11 that.

12 COMMISSIONER GUNN: So that's all the
13 questions I have, but I really appreciate -- appreciate
14 your testimony.

15 MR. KLASSEN: And if you want these two
16 documents, I printed out three or four.

17 CHAIRMAN CLAYTON: Sure.

18 JUDGE STEARLEY: We will mark these as
19 Exhibit Nos. 2 and 3.

20 (Thereupon, evidence was marked for
21 identification and received into the record as
22 Exhibit Nos. 2 and 3.)

23 And counsel had an opportunity to see those
24 documents. Were you able to view them while Mr. Klassen
25 was explaining them?

1 MR. DORITY: I certainly was, and we
2 have no objection.

3 MR. RITCHIE: No objection.

4 MR. POSTON: No objection.

5 JUDGE STEARLEY: If there's no
6 objection, they will be received into the record.

7 Counselor, did you have any questions for
8 Mr. Klassen?

9 MR. POSTON: No questions. Thank you.

10 MR. RITCHIE: I don't.

11 MR. DORITY: I -- Judge, if I may.

12 JUDGE STEARLEY: Uh-huh.

13 MR. DORITY: Mr. Klassen, thank you for
14 your comments. I just wanted to echo Chairman Clayton and
15 Commissioner Gunn's comments regarding our energy
16 efficiency and conservation program. It is in its third --
17 beginning of our fourth year. There are a number of pieces
18 of information back at the table with Gay Fred that I would
19 encourage you to please take with you. There's some
20 contact information for the company, and also our website.

21 We have three major components of the
22 program itself. One is low-income weatherization where we
23 work with counties up in this part of the region of the
24 state, low-income weatherization funding. That's
25 administered through the Department of Natural Resources'

1 Energy Center and EIERA. They actually take control of
2 those funds. They disperse them. I'd be very interested
3 in your thoughts about that aspect of the program.

4 We also have furnace and large appliance
5 rebates that are available. We tried to do a good job this
6 year getting the word out with HVAC personnel attending
7 fairs and other things to try to make sure that people are
8 aware of it.

9 And then customer education is the third
10 component. I think that that's something that maybe having
11 interaction with your -- with your particular group getting
12 the word out as to what's available would be very helpful,
13 and we will seek you out and look for your assistance, and
14 I appreciate you being here.

15 MR. KLASSEN: Thank you very much.

16 MR. DORITY: Thank you.

17 JUDGE STEARLEY: Thank you, Mr.

18 Klassen.

19 MR. KLASSEN: Thank you, sir.

20 JUDGE STEARLEY: Our next witness is
21 Michael Dotson.

22 MR. DOTSON: I had my questions
23 answered earlier, and I would only echo Representative
24 Bringer's concerns and how could you follow a class act
25 like Mr. Klassen, so I'll decline.

1 JUDGE STEARLEY: All right, thank you.
2 I did want to clarify one thing before we continue. I know
3 there's been some discussion about EROE recommendations
4 that are before the Commission, and there was mention on
5 the Commission's staff recommendation.

6 I just wanted to let the people know at this
7 point this case has not gone to the evidentiary hearing.
8 That is scheduled to begin on August 23rd, and the
9 Commission staff makes a recommendation to the
10 Commissioners. There's been no decision made on that at
11 this point in time.

12 So I wanted to let you know that it's still
13 all under consideration, and just because the staff even
14 makes a recommendation to the Commission, doesn't mean that
15 the commissioners will adopt that particular position.

16 So just wanted to let you know up front that
17 no decision has yet been made on that.

18 I do not have any other people signed up on
19 the witness list. So let me just ask. I'm not sure that
20 there's anyone else in the room other than perhaps Mr.
21 Klassen's spouse. So is there anyone else here who would
22 like to provide the Commission any additional comments?

23 All right. Well, hearing none, let me ask
24 the Chairman. Do you have any closing remarks?

25 CHAIRMAN CLAYTON: I just want to thank

1 everyone. I'm going to come out and say hi to everybody,
2 but thank you very much for coming.

3 JUDGE STEARLEY: Very well. The public
4 hearing in File No. GR-2010-0192 is hereby adjourned.

5 Thank you all very much.

6 (Thereupon, the proceedings concluded
7 at 7:09 p.m.)

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I N D E X

1		
2		
3	Witness Name	Page
4	Mr. Robert Rapp	6
5	Mr. Ronald Walden	12
6	Mr. David Klassen	21
7		
8		
9		
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11		
12		
13		
14		
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3	No. 1	11	11
4	No. 2	35	35
5	No. 3	35	35
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