

1 STATE OF MISSOURI
2 PUBLIC SERVICE COMMISSION
3 -----
4 TRANSCRIPT OF PROCEEDINGS
5 Public Hearing
6
7 June 16, 1999
8 St. Joseph, Missouri
9 Volume 3
10 -----

11 In the Matter of St. Joseph Light &)
12 Power Company's Revised Industrial)
13 Steam Rate Schedules Designed to) Case No.
14 Increase Rates for Steam Service in) HR-99-245
15 the Company's Missouri Service)
16 Territory)

17 In the Matter of St. Joseph Light &)
18 Power Company's Revised Electric) Case No.
19 Rate Schedules Designed to Increase) ER-99-247
20 Rates for Electrical Service in the)
21 Company's Missouri Service Territory)
22 -----

23 MORRIS L. WOODRUFF, Presiding,
24 REGULATORY LAW JUDGE.

25 M. DIANE DRAINER, Vice-Chair,
COMMISSIONERS.

26 -----
27 REPORTED BY: KAREN J. LYMAN, RPR, CSR, CCR
28 ROBERTS & ASSOCIATES COURT REPORTERS
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ROBERTS & ASSOCIATES BY KAREN J. LYMAN, RPR, CSR

1 A P P E A R A N C E S

2 MR. GARY MYERS AND MR. JAMES C. SWEARENGEN,
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FOR: St. Joseph Light & Power Company

5 MR. STUART W. CONRAD,
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7 1209 Penntower Office Center
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FOR: Industrials

9 MR. JOHN B. COFFMAN, Assistant Public Counsel
10 P.O. Box 7800
Jefferson City, MO 65102-7800
11 FOR: Office of Public Counsel
and the Public

12 MR. THOMAS R. SCHWARZ, JR., Deputy General Counsel
13 P.O. Box 360
Jefferson City, MO 65102
14 FOR: Staff of the Missouri Public
Service Commission

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P R O C E E D I N G S

(Hearing commenced at 6:00 p.m.)

JUDGE WOODRUFF: Good evening

everyone. I guess we will go ahead and get started. I'd like to welcome everyone here this evening. My name is Morris Woodruff, and I'm the Regulatory Law Judge with the Missouri Public Service Commission. We're here today for a local public hearing in the cases number HR-99-245 and ER-99-247 and also DC-95-73. They all regard St. Joseph Light & Power Company's proposed rate increases for industrial steam and electrical service. Notice of this hearing has been sent by the Commission's information officer to various local newspapers and radio stations.

I'll begin by giving a brief explanation of the agency and the procedures that will be followed tonight, and I'll identify some of the people that are present here this evening. Also there's a list of witnesses right up here at the front. If anyone would like to offer a comment tonight, please add your name to the list and you'll be called up here to give your testimony.

The Commission has prepared a brief

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1 information sheet which I think you all got a copy
2 of when you came in. If you don't have a copy,
3 just let us know and we will make sure you get
4 one.

5 The Missouri Public Service Commission is a
6 state agency that regulates rates charged by
7 investor-owned utility companies in Missouri and
8 makes sure those rates are just and reasonable.
9 Their operations also are regulated by the
10 Commission. The Public Service Commission is made
11 up of five commissioners who are appointed by the
12 Governor. One of the commissioners is here with
13 us tonight, Commissioner Diane Drainer.
14 Commissioner Drainer is also the vice-chairperson
15 of the Commission. The Commission employs a staff
16 of engineers, accountants, attorneys, financial
17 analysts and other specialists in utility
18 regulation and relies on their expertise. Some of
19 the parties are also here with us this evening.
20 Tom Schwarz is their attorney, and Mr. Schwarz, if
21 you'll introduce the other people from the
22 Commission.

23 MR. SCHWARZ: Okay. We have Jim
24 Watkins who is a regulatory economist. Steve
25 Traxler who is an accountant, and Lisa Canady

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1 who is also an accountant. I believe that is the
2 entire staff that's here this evening.

3 JUDGE WOODRUFF: Thank you, sir.
4 In addition to the Commission Staff, John Coffman
5 of the Office of the Public Counsel is present.
6 This is John over here. It is the job of the
7 Public Counsel to represent you the public in
8 hearings before the Commission. Mr. Coffman, is
9 anyone else here for the Public Counsel?

10 MR. COFFMAN: No, I'm it. Thank
11 you.

12 JUDGE WOODRUFF: Representing
13 St. Joseph Light & Power Company is their attorney
14 Mr. James Swearngen, and Mr. Swearngen, if you'd
15 like to introduce representatives of the Company.

16 MR. SWEARENGEN: Thank you.
17 Your Honor, Gary Myers is the general counsel and
18 is here. I'll ask him to stand. There are other
19 company representatives here that are interspersed
20 throughout, and I'll ask them to stand and
21 identify themselves.

22 MR. RUSH: Tim Rush. Manager
23 customer operations.

24 MR. STUART: John Stuart, vice
25 president customer service.

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1 MR. VANDIVER: Ron Vandiver, key
2 customer consultant.

3 MS. LIECHTI: Lois Liechti,
4 supervisor of rates.

5 MS. BRADFORD: Sharon Bradford,
6 manager of customer services.

7 MR. MUSIL: Jerry Musil, manager
8 of corporate communications.

9 MR. BEDINGHAUS: Matt
10 Bedinghaus, manager of engineering.

11 MR. WARNER: Art Warner,
12 marketing.

13 JUDGE WOODRUFF: Anyone else?

14 MR. SWEARENGEN: Thank you.

15 JUDGE WOODRUFF: Thank you.

16 Several industrial customers of St. Joseph Light &
17 Power have intervened in this case and they are
18 represented by their attorney Mr. Stuart Conrad.
19 There he is. Mr. Conrad, is there anyone you'd
20 like to introduce?

21 MR. CONRAD: It's my
22 understanding, Your Honor, that those individuals
23 have signed up to give testimony, so if it would
24 be agreeable with Your Honor, we would move to
25 proceed at this time.

1 JUDGE WOODRUFF: That would be
2 fine. Thank you. All right. The purpose of
3 tonight's hearing is to give members of the public
4 an opportunity to offer comments and suggestions
5 regarding proposed rate increases. Since this is
6 an official public hearing of the Public Service
7 Commission, the statements and testimony are being
8 recorded by the court reporter, and therefore they
9 must be under oath. A transcript from tonight's
10 proceeding will be read by the commissioners who
11 are unable to attend tonight.

12 St. Joseph Light & Power Company will not
13 have the opportunity to present witnesses this
14 evening and therefore cannot answer your questions
15 on the record. I believe they will be available
16 to speak with you after the hearing is completed,
17 and if you wish to speak to members of the Public
18 Service Commission staff or the Office of Public
19 Counsel, I'm sure they will be available after the
20 hearing also.

21 Our procedure is going to be as follows: I'm
22 going to begin the hearing by giving the attorneys
23 for all the parties a chance to make an opening
24 statement. Then John Coffman of the Office of the
25 Public Counsel will call your name to testify.

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1 When your name is called please come stand at the
2 podium and I'll swear you in, and make sure you
3 spell your name for the reporter so she can put it
4 in the record correctly. There may be a few
5 preliminary questions from Mr. Coffman such as
6 your address and so forth, and then you may make
7 your statement. I ask that you please remain at
8 the podium until I excuse you after you speak.
9 There may be some questions for you from
10 Mr. Coffman or from one of the other attorneys, a
11 commissioner, or from myself. We sometimes ask
12 follow-up questions to clarify any details
13 surrounding your comments. The record from
14 tonight's hearing does become part of the formal
15 record upon which a final decision is based and so
16 we want it to accurately reflect your comments.
17 Does anyone have any questions before we proceed?
18 (No response.)

19 JUDGE WOODRUFF: Okay.

20 Commissioner Drainer?

21 COMMISSIONER DRAINER: Only I
22 wish to thank everyone for coming this evening,
23 and if there are any problems hearing anyone
24 making statements, please let us know so we can
25 accommodate everyone so we do make sure you do

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1 hear what's going on in the proceeding. I won't
2 detain us from moving forward, so thank you.

3 JUDGE WOODRUFF: We will begin
4 then, and I'll ask counsel to make their entries
5 of appearance on the record.

6 MR. SWEARENGEN: Yes, thank you.
7 Let the record show the appearance of James C.
8 Swearengen, 312 East Capital Avenue, Jefferson
9 City, Missouri, on behalf of the company.

10 JUDGE WOODRUFF: For Staff?

11 MR. SCHWARZ: Thomas R. Schwarz,
12 Jr., P.O. Box 360, Jefferson City, Missouri,
13 appearing for the Staff of the Public Service
14 Commission.

15 JUDGE WOODRUFF: For Public
16 Counsel.

17 MR. COFFMAN: John B. Coffman,
18 P.O. Box 7800, Jefferson City, Missouri 65102
19 appearing on behalf of the Office of the Public
20 Counsel and the rate payers.

21 JUDGE WOODRUFF: And for the
22 industrial intervenors?

23 MR. CONRAD: Your Honor, please
24 show the appearance of Stuart Conrad, 1209
25 Penntower Office Center, 3100 Broadway, Kansas

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1 City, Missouri 64111. And I would respectfully
2 reserve an opening statement so we can conduct the
3 hearing. This is an opportunity for the public
4 and the customers to give their remarks. Thank
5 you.

6 JUDGE WOODRUFF: All right.
7 Thank you. Mr. Coffman, would you like to make
8 any opening statements?

9 MR. COFFMAN: Just briefly. As
10 Judge Woodruff explained, the Office of Public
11 Counsel is a separate agency. It is our job to be
12 involved with Public Service Commission hearings
13 and do our best to represent the public. We focus
14 our advocacy primarily on the residential and
15 small business rate payers to the extent sometimes
16 those rate payers conflict with industrial
17 interests. Mr. Conrad, of course, knows very well
18 in representing the industrial customers when
19 there is a conflict, but just happy to have those
20 people who are here from all customer classes; and
21 we will be eventually having hearings in Jefferson
22 City where we will try the highly technical
23 aspects of this case, which are some of the
24 issues. As you heard, the electric company is
25 requesting various raises that add up to

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1 approximately six million dollars. The staff of
2 the Public Service Commission and the Office of
3 Public Counsel take different positions on those
4 issues and, in fact, believe that the company
5 should be earning less by several million dollars.
6 So we will have to hash this all out later. There
7 are other issues than the revenues and issues
8 involving how this company is regulated, how its
9 tariffs are designed, but basically we're here to
10 get public comments so that that can be in the
11 record and we would consider that. I will call
12 all the names and you may make any further
13 statements you like.

14 JUDGE WOODRUFF: Thank you.

15 Mr. Swearengen?

16 MR. SWEARENGEN: Thank you, Your
17 Honor. I've been participating in cases with
18 Mr. Conrad now I think for over 20 years, and this
19 is the first time I can recall that he's had the
20 opportunity to make a speech and has turned it
21 down. I have no formal opening statement. We
22 look forward to hearing the comments of our
23 customers this evening. Thank you very much.

24 JUDGE WOODRUFF: Mr. Schwarz?

25 MR. SCHWARZ: I have no opening

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1 statements to make at this time.

2 JUDGE WOODRUFF: All right,
3 thank you. And Mr. Conrad has already waived his.
4 We will go ahead with the first witness.
5 Mr. Coffman?

6 MR. COFFMAN: First name on the
7 sign-up sheet is John Barclay.

8
9 JOHN BARCLAY
10 called as a witness herein, being first duly sworn
11 by Judge Woodruff, testified on his oath as
12 follows:

13 MR. COFFMAN: For the record
14 please give your address and who you represent.

15 MR. BARCLAY: Do you want a
16 corporate address or do you want a home address?

17 MR. COFFMAN: Depends on who you
18 are representing.

19 MR. BARCLAY: I'm representing a
20 corporation.

21 MR. COFFMAN: Okay. Well, then
22 the corporate address.

23 MR. BARCLAY: 609 North Second
24 Street, St. Joseph, Missouri 64501. The
25 corporation is Wire Rope Corporation of America,

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1 Incorporated.

2 MR. COFFMAN: Thank you. I
3 think that's all the preliminary questions I have.
4 Please go ahead with your comments.

5 MR. BARCLAY: Well, thank you
6 for the opportunity. As I already stated my name
7 is John Peter Barclay, Jr. I'm chairman and chief
8 executive officer of Wire Rope Corporation of
9 America, Incorporated. WRCA. A position that
10 I've held since December of 1961. Wire Rope
11 Corporation's core business is the manufacturing
12 and distribution of Wire Rope. Familiarly called
13 steel cable.

14 Wire Rope is primarily used in hoisting,
15 lifting and hauling. The major market segments
16 WRCA services are mining, such as for coal in the
17 Powder River Basin of Wyoming and copper in the
18 U.S. Southwest as well as in Peru and Chile. The
19 oil and gas industries, both exploration and
20 workover rigs. Wire Rope operates on a global
21 basis such as Venezuela, Southeast Asia and other
22 areas. Logging industry in the Pacific northwest
23 and Canada, general construction world wide such
24 as tower and mobile cranes and similar equipment;
25 domestic as well as foreign steel mills; specialty

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1 assemblies for the aircraft industries, such as
2 Boeing, and general purpose ropes as well as
3 Marine and fishing ropes.

4 Our emphasis is on value added products. We
5 sell performance and service relative to cost.
6 Therefore, we place great emphasis on quality, and
7 we are the only manufacturer in the U.S. that is
8 ISO 9001 certified. But such quality is measured
9 relative to cost, where we have placed equal
10 emphasis.

11 WRCA is one of St. Joseph Light & Power
12 Company's largest electrical customers. I have
13 served on the board of directors of St. Joseph
14 Light & Power Company since May of 1974. Since I
15 cannot recall any specific discussions regarding
16 St. Joseph Light and Power Company's electrical
17 rates and schedules having taking place at the
18 board level and at board meetings or any
19 subcommittee meetings that I have attended over
20 the 25 years that I have served on Light & Power's
21 board, I can see no conflict of interest in my
22 testifying.

23 I feel compelled to testify as an intervenor
24 on behalf of Wire Rope Corporation of America,
25 Incorporated, WRCA, whose competitiveness in the

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1 global economy is my first concern and
2 responsibility. At the same time it appears to
3 the management of WRCA that St. Joseph Light &
4 Power should act as our advocate in the interest
5 of retaining jobs and promoting growth of a local
6 industry.

7 In the years past with St. Joseph Light &
8 Power Company being a low-cost producer of
9 electricity, the management then of WRCA paid only
10 cursory attention to the structure of St. Joseph
11 Light & Power's electrical rates and schedules.
12 However, as the domestic wire rope industry has
13 been decimated by unfair traded, imported wire
14 rope, primarily from Asia, and the domestic
15 manufacturers have lost market share from 97
16 percent to just over 50 percent and the number of
17 U.S. based manufacturers of wire rope has shrunk
18 from more than 20 to now just four, every cost --
19 and certainly power is a highly significant
20 cost -- has come under closer scrutiny and
21 analysis.

22 That closer scrutiny and analysis has led
23 WRCA's management to conclude that in the past
24 Public Service Commissions have been guilty of
25 widening the gap between electrical rates and the

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1 cost of service, particularly in the case of
2 manufacturers, for the perceived public benefit of
3 subsidizing other rate classes.

4 Since Wire Rope Corporation of America,
5 Incorporated, operates wire mills in Chillicothe,
6 Kansas City, St. Joseph, and Sedalia, Missouri,
7 and manufactures wire rope and fabricated products
8 in Kansas City, Kirksville, St. Joseph, and
9 Sedalia, Missouri, we are deeply concerned about
10 this widening gap between our electrical rates and
11 the cost of our service. Only in Chillicothe are
12 our electrical rates competitive with the
13 deregulated environment being mandated by
14 Washington, D.C.

15 Our decision to locate our wire group in
16 Chillicothe, Missouri, rather than in St. Joseph
17 was based on many factors and many issues. One
18 was a growing distrust of government under the
19 then mayor Glenda Kelly with respect to the
20 utility franchise tax. But far more significant
21 in our decision was the competitive power rate
22 offered in Chillicothe. A rate that was based on
23 the cost of service. The result was that more
24 than 125 jobs went to Chillicothe rather than
25 St. Joseph. Wire Rope Corporation can no longer

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1 subsidize other customer classes and remain
2 globally competitive, hold market share in the
3 U.S., and retain jobs. Because of our financial
4 commitments and our commitments to all our
5 employees in the State of Missouri, we would
6 welcome and applaud a definitive move by the
7 Public Service Commission to close, or at the very
8 minimum significantly narrow the gap between
9 WRCA's cost of service and WRCA's power rates.

10 Equally unfair and unjustified are the
11 peaking and seasonal charges levied on WRCA and
12 manufacturing customers of the St. Joseph Light &
13 Power. WRCA's experience is that we are charged
14 for peaking when WRCA does not peak. We are
15 charged for seasonality when WRCA's consumption
16 does not vary significantly from month to month or
17 from hour to hour. Without such a positive
18 initiative being taken by the Public Service
19 Commission, Wire Rope Corporation of America,
20 Incorporated, will be forced to pursue either
21 co-generation or to shift manufacturing from
22 St. Joseph to our other facilities and/or at some
23 later date relocate our St. Joseph facilities
24 elsewhere. The issue is that serious, and ours
25 will be strictly a business decision.

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1 Thank you for the courtesy of listening to my
2 testimony.

3 JUDGE WOODRUFF: Thank you, sir.
4 Mr. Coffman, do you have any questions?

5 MR. COFFMAN: No questions,
6 thank you.

7 JUDGE WOODRUFF: Mr. Schwarz?

8 MR. SCHWARZ: No questions.

9 JUDGE WOODRUFF: Mr. Swarengen?

10 MR. SWEARENGEN: No questions.

11 JUDGE WOODRUFF: Mr. Conrad?

12 MR. CONRAD: No questions.

13 JUDGE WOODRUFF: Commissioner

14 Drainer?

15 COMMISSIONER DRAINER: I have a
16 few questions. Thank you very much for a very
17 eloquent testimony. I appreciate it.

18 Second, could you tell me who does provide
19 your electricity in Chillicothe?

20 MR. BARCLAY: It's a co-op.

21 COMMISSIONER DRAINER: So it's
22 one of the electric co-ops?

23 MR. BARCLAY: And they aren't
24 actually under the Public Service Commission, so
25 they make the cost of service the issue.

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1 COMMISSIONER DRAINER: Because
2 they are providing to their -- basically to their
3 owners, right, co-ops to owners only?

4 MR. BARCLAY: Well, yes, I guess
5 you could say that.

6 COMMISSIONER DRAINER: I live
7 out in the country, so I have a lot of respect for
8 our co-ops.

9 MR. BARCLAY: And the work they
10 do in Chillicothe is outstanding, so we're happy
11 people.

12 COMMISSIONER DRAINER: How many
13 employees do you have?

14 MR. BARCLAY: Total?

15 COMMISSIONER DRAINER: Total.

16 MR. BARCLAY: Now after this
17 last acquisition we have about 1,500.

18 COMMISSIONER DRAINER: And just
19 because of curiosity, I would like to make sure I
20 understand, when you were talking wire rope, you
21 were saying that's steel cable?

22 MR. BARCLAY: Steel cable.

23 COMMISSIONER DRAINER: And just
24 really so I understand, like I have a come-along
25 that I used this past weekend that has a steel

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1 cable.

2 MR. BARCLAY: That's wire rope.

3 COMMISSIONER DRAINER: That's
4 wire rope. So I could be using your wire rope.

5 MR. BARCLAY: Could be.

6 COMMISSIONER DRAINER: Well, it
7 helped me with a project, so I appreciate that it
8 was very well made. Thank you very much. I
9 appreciate your honesty.

10 JUDGE WOODRUFF: Thank you, sir.

11 MR. BARCLAY: Thank you.

12 JUDGE WOODRUFF: Mr. Coffman,
13 next witness?

14 MR. COFFMAN: Next witness would
15 be Ken Cooper.

16

17 KEN COOPER

18 called as a witness herein, being first duly sworn
19 by Judge Woodruff, testified on his oath as
20 follows:

21 JUDGE WOODRUFF: Mr. Coffman?

22 MR. COFFMAN: Yes, sir. Just
23 spell your name and give your address for the
24 record, please.

25 MR. COOPER: Ken Cooper, 2017

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1 Lower Lake Road, Post Office Box 4099, St. Joseph
2 64504.

3 MR. COFFMAN: Are you
4 representing an industrial employer?

5 MR. COOPER: Yes, I am. I'm
6 representing Friskies Pet Care, Division of Nestle
7 Corporation.

8 MR. COFFMAN: Please proceed.

9 MR. COOPER: As I said, I'm the
10 regional human resource manager for Friskies Pet
11 Care. I represent the two plants here in
12 St. Joseph. We have two manufacturing sites; one
13 on Packers Avenue which produces the Fancy Feast
14 product for over 30 different countries throughout
15 the world. We are one of only two plants in the
16 United States that produce the Fancy Feast product
17 as you see probably on advertisements, 3.3 ounce
18 can. We also have a facility on Lower Lake where
19 we produce both canned cat and dry cat and dog
20 food, so we have two different sections there
21 including products such as Friskies Buffet, Alpo
22 Ocean Whitefish, Alpo Lamb and Rice, Come and Get
23 It, Friskies Dental Diet, Chef's Blend, Alpo Beef
24 Dinners and a multitude of different Friskies
25 products. We have approximately 412 employees

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1 located at these two plants. We're currently in
2 the process of hiring 20 more and we have a
3 payroll of over \$17 million annually. We pay --
4 our payroll taxes are over a half million dollars
5 a year. Our property taxes over a million dollars
6 a year. These dollars spent in St. Joseph and the
7 State of Missouri, of course. The competition for
8 Friskies Pet Care in the pet food industry is
9 extremely strong. We're dealing with many, many
10 powerful names in the pet care industry including
11 Ralston Purina, Heinz, Mars, world-wide type
12 companies, and if you noticed out at Wal-Mart or
13 wherever you shop, the price per can, you're
14 talking cents. You're talking 25 cents, you're
15 talking 26 cents a can. So it's very, very price
16 focused in the industry here.

17 The external competition is very severe. Any
18 change of a cent per can makes a major difference
19 in the volumes that are sold out there. We lose
20 customers based on increases of as little as a
21 penny a can. Also we have international customers
22 throughout Nestle. We have nine other sites in
23 the United States that manufacture pet food in
24 different states, several of those being here in
25 the Midwest, and we go on the basis of a low cost

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1 producer. Therefore, it's very important to us
2 what the cost of our products are. Any increases
3 in that cost could result in our products being
4 shifted and volumes of our products being shifted
5 to another site.

6 We also have 60 pet food plants throughout
7 the world. A big portion of our manufacturing
8 operation here in St. Joseph is export to other
9 countries. As I said earlier, Packers Avenue, we
10 have about 30 different companies we export to.
11 About 35 percent of our entire business is
12 exported to other countries, so it's a big part of
13 our operation. However, a lot of these little
14 countries also have plant food manufacturing
15 sites. We're able to send it out because we are
16 cost competitive.

17 We also get in a lot of competition from some
18 of the major competitors I mentioned earlier but
19 also from the private label is becoming very
20 popular in the stores now, as you see with any
21 other food products. It's also hitting the pet
22 food industry. Private label is undercutting a
23 lot of major manufacturers and causing us a lot of
24 concern out there. The marketplace is very
25 price-oriented. Therefore, we're not able to pass

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1 those increases on to our customers. They can
2 result in lost customer base out there.

3 Basically, in conclusion, we're asking the
4 Public Service Commission to service industry in
5 connection with this rate case.

6 JUDGE WOODRUFF: Mr. Coffman,
7 any questions?

8 MR. COFFMAN: No questions.

9 JUDGE WOODRUFF: Mr. Swearengen?

10 MR. SWEARENGEN: No questions.

11 JUDGE WOODRUFF: Mr. Schwarz?

12 MR. SCHWARZ: No questions.

13 JUDGE WOODRUFF: Mr. Conrad?

14 MR. CONRAD: No questions, thank
15 you.

16 JUDGE WOODRUFF: Ms. Drainer?

17 COMMISSIONER DRAINER: Actually
18 I have to ask, you were saying that you packaged
19 the ocean fish, white fish?

20 MR. COOPER: Yes.

21 COMMISSIONER DRAINER: For cats?

22 MR. COOPER: Ocean white fish is
23 one of our products.

24 COMMISSIONER DRAINER: And what
25 was the Alpo one?

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1 MR. COOPER: We had a Alpo beef
2 dinners. We have Alpo beef dinners.

3 COMMISSIONER DRAINER: The can?

4 MR. COOPER: That is the dry.
5 We don't do the Alpo canned here in St. Joseph.

6 COMMISSIONER DRAINER: But you
7 do the can --

8 MR. COOPER: We do canned cat;
9 canned Buffet and canned Fancy Feast.

10 COMMISSIONER DRAINER: And let
11 me tell you, I have ten cats. They eat your food,
12 and if those go up three cents I'm not not going
13 to buy it, so it isn't worth listening to them
14 when they won't eat anything else. So okay. How
15 would I know if you had canned it if I look at one
16 of my cans?

17 MR. COOPER: There's a code on
18 the cans that -- and I'm going to have to look to
19 one of my people to tell you what that code is.
20 I'm human resources. They don't tell us anything.
21 Employees, do you know what the code is for
22 St. Joseph?

23 WOMAN FROM AUDIENCE: SM, and I
24 believe the other is KM.

25 COMMISSIONER DRAINER: Okay.

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1 MR. COOPER: She's the expert.

2 COMMISSIONER DRAINER: There you
3 go. Thank you very much, and I appreciate your
4 testimony.

5 JUDGE WOODRUFF: Thank you,
6 Mr. Cooper.

7 MR. COOPER: Thank you.

8 JUDGE WOODRUFF: Next witness?

9 MR. COFFMAN: The next witness
10 is Gary Chesnut.

11

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

16 MR. COFFMAN: Would you please
17 spell your name for the record and give your
18 address.

19 MR. CHESTNUT: My name is Gary
20 Chesnut, C-H-E-S-N-U-T. I'm with Ag Processing,
21 and my business address is P.O. Box 2047, Omaha,
22 Nebraska, 68103. We have a plant here on Lower
23 Lake Road.

24 MR. COFFMAN: Ag Processing is
25 an industrial customer of St. Joseph Light &

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1 Power?

2 MR. CHESNUT: That's correct.

3 MR. COFFMAN: Thank you.

4 MR. CHESNUT: Once again my name
5 is Gary Chesnut. I'm the corporate purchasing
6 manager for Ag Processing, Incorporated. We're a
7 cooperative. Thank you for the opportunity to
8 speak to you tonight. Ag Processing is a co-op
9 whose mission is to serve local cooperatives and
10 agricultural producer owners, which are farmers,
11 by purchasing grain, processing grain and
12 marketing agricultural products. AGP is owned by
13 285 local cooperatives and ten regional
14 cooperatives representing 300,000 farmers in 16
15 states throughout the United States and Canada.
16 AGP operates in a global market.

17 In St. Joseph AGP processes soybeans, refines
18 soy and other vegetable oils. We produce soy
19 by-products and soy flour. Our products are
20 produced in bulk quantities. The majority of
21 products purchased are priced as a commodity on
22 the Chicago Board of Trade which is influenced by
23 both direct and indirect interests. AGP operates
24 within a given margin without the ability to pass
25 on energy price increases to our customers.

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1 In calendar year 1998 AGP St. Joseph plant
2 paid the following. They paid public taxes
3 221,000; real estate tax of 125,000. We have
4 employee payroll of over six million. Number of
5 employees is 166 at the St. Joseph plant, and
6 we've also paid St. Joe Light & Power about \$6.6
7 million a year. AGP is a steam and electrical
8 customer of St. Joseph Light & Power.

9 I would like to address the following issues
10 related to the St. Joseph Light & Power steam rate
11 case and electric rate case. First issue. Rates
12 must be based on cost of service. Second issue.
13 Monopolies should not have performance based
14 incentives. Third issue. Energy cost adjustment
15 must not be allowed, and the fourth issue is
16 St. Joe Light & Power excess earnings.

17 First issue again, cost based rates. It is
18 our understanding that industrial customers are
19 currently subsidizing residential customers by
20 eleven percent, which is over \$4 million per year,
21 based on standard cost of service principles. The
22 commission staff is proposing to increase the
23 subsidy to six million per year without using
24 standard costs to these principles. Industries
25 operating in the global commodity market cannot

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1 afford to continue subsidizing other than paying
2 customers. In addition, rate subsidies promote
3 inefficient use of energy.

4 Second issue, performance based incentives.
5 St. Joe Light & Power has proposed performance
6 based incentives based on performance measures; A,
7 customer satisfaction; B, customer service -
8 average customer minutes of interruption and
9 outreach frequencies; and C, employee safety. I'd
10 like to address A first, customer satisfaction. A
11 number of years ago St. Joe Light & Power sent to
12 me a survey. I did not complete the survey
13 because I did not feel that the survey asked
14 pertinent questions and felt the questions were
15 biased. In addition, answering surveys of this
16 type takes time, and experience has proven to me
17 that surveys seldom result in any type of
18 corrective actions.

19 B, average customer minutes of interruption.
20 Currently St. Joseph Light & Power ranks at least
21 reliable of all AGP plants. AGP lost more than a
22 hundred hours of operating time in 1998; operating
23 time or lost production time caused by either a
24 utility outage or reduced voltage. In competitive
25 markets we would lose customers if we failed to

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1 deliver a quality product on time.

2 C, in regards to employee safety. We do not
3 understand why a company such as St. Joseph Light
4 & Power needs the incentive to operate a safe
5 working environment for their employees. In fact,
6 OSHA will issue fines for not providing a safe
7 working environment. Safety is a high priority
8 with AGP. St. Joseph Light & Power is a monopoly.
9 Currently AGP has no other vendors to purchase
10 steam or electricity. It is St. Joseph Light and
11 Power's obligation to provide the best quality
12 product and service at the lowest possible cost.
13 They owe it to their customers and the
14 stockholders. We believe that performance based
15 incentives destroy the accounting creativity to
16 arrive at particular results. The final result
17 may not be a true reflection of service quality
18 and the costs paid by the customer to obtain the
19 results may not be considered.

20 AGP requests that the Commission reject
21 performance based incentives proposed by
22 St. Joseph Light & Power.

23 Third issue is energy cost adjustments.
24 Several years ago St. Joseph Light & Power had a
25 bill to adjust the monthly cost of steam based

1 fuel cost adjustment. The Commission at that time
2 removed the bill for various reasons. AGP
3 believes that energy cost adjustments allow a
4 plant to operate inefficiently and do not utilize
5 the lowest cost fuel. Another concern with the
6 fuel cost adjustment factors is a lack of
7 information related to budgeting. AGP, just as
8 other customers of St. Joseph Light & Power,
9 operates their facilities as an independent cost
10 center projecting operating costs on a monthly
11 basis and make various decisions based upon those
12 cost projections. Normally fuel cost adjustment
13 factors is provided after the operating month
14 allowing cost adjustments. This will make it
15 difficult for many utility customers, including
16 AGP, to make informative operating decisions that
17 will benefit the customers and their owners. AGP
18 requests that the Commission reject the proposed
19 energy cost adjustment.

20 Fourth issue, St. Joseph Light & Power's
21 excess earning. AGP is supportive of the
22 Commission staff's initial complaint case
23 decreasing total revenues by \$7 million. Even
24 though St. Joseph Light & Power has taken the
25 position that the best defense is a good offense,

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1 we support decreasing rates. AGP requests that
2 the Commission require St. Joseph Light & Power to
3 provide optional tariffs that would benefit both
4 the utility and customers. Many utilities located
5 in the Midwest offer various electric tariff
6 options. Example; time of use rates, introductory
7 provisions, those things. In addition a bundling
8 of rates would be helpful when discussing
9 electrical structuring.

10 In conclusion, AGP has various plants in
11 Iowa, Nebraska, Minnesota, and Texas. The St.
12 Joseph plant is served by one of the highest
13 priced electrical utilities in the company. We
14 are doing our part to attempt to keep St. Joseph
15 Light & Power's costs down.

16 Recently AGP deeded a section of land
17 approximately 2,000 feet by 65 feet to St. Joseph
18 Light & Power for \$10. This allowed St. Joseph
19 Light & Power to build to extend their coal rail
20 track to receive trains, resulting in substantial
21 transportation cost savings.

22 In addition to the high kilowatt hour cost,
23 St. Joseph Light & Power service outages rank as
24 one of the highest for all AGP plants. Earlier I
25 discussed AGP lost a hundred hours of operating

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1 time in 1998. This loss of utility service is one
2 of the highest plant production outages in our
3 company. We respectfully request that the
4 Commission reject St. Joseph Light and Power's
5 position that the best defense is a good offense
6 and give consideration to the staff's complaint
7 that
8 St. Joseph Light and Power has earned excess
9 revenues. We also ask that subsequent cost of
10 service standards match cost of service
11 principles. Thank you for your attention.

12 JUDGE WOODRUFF: Thank you, sir.
13 Mr. Coffman, any questions?

14 MR. COFFMAN: Yes. Mr. Chesnut,
15 you made a statement -- I think was your first
16 point -- about what you believe was an eleven
17 percent subsidy of industrial customers? I was
18 wondering if you could tell us what the source of
19 that figure came from.

20 MR. CHESNUT: AGP is part of a
21 group, industrial group, Divan and Morris Group,
22 and they sponsored this testimony.

23 MR. COFFMAN: That came from the
24 testimony?

25 MR. CHESNUT: That's correct.

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1 JUDGE WOODRUFF: Mr. Swearengen?

2 MR. SWEARENGEN: No questions.

3 JUDGE WOODRUFF: Mr. Schwarz?

4 MR. SCHWARZ: No questions.

5 JUDGE WOODRUFF: Commissioner

6 Drainer?

7 COMMISSIONER DRAINER: Yes, good
8 evening. Thank you for your comments. You stated
9 that you deeded, AGP deeded land.

10 MR. CHESNUT: Uh-huh.

11 COMMISSIONER DRAINER: For \$10.

12 MR. CHESNUT: Uh-huh.

13 COMMISSIONER DRAINER: Why did
14 you do that?

15 MR. CHESNUT: Two reasons. One,
16 we had a dispute. This resolved a dispute that we
17 had with Light & Power, and in addition we also
18 wanted to reduce their cost, and as one of our top
19 management said, we wanted to be a good neighbor.
20 We're right across the street from the power
21 plant.

22 COMMISSIONER DRAINER: Okay.

23 And AGP, is it a farm cooperative or does it
24 service the farm co-ops such as AAA and Farmland?

25 MR. CHESNUT: No, we're a

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1 separate co-op by ourselves.

2 COMMISSIONER DRAINER: Are they
3 your competitors?

4 MR. CHESNUT: No. Well, there
5 is one co-op, Dunn, in Arkansas, but basically
6 we're the largest soybean processing co-op let's
7 say west of the Mississippi.

8 COMMISSIONER DRAINER: Oh, wow.
9 Thank you. And thank you very much for your
10 comments.

11 JUDGE WOODRUFF: Next witness.

12 MR. COFFMAN: The next witness
13 will be Tom Wolters.

14
15 TOM WOLTERS
16 called as a witness herein, being first duly sworn
17 by Judge Woodruff, testified on his oath as
18 follows:

19 MR. COFFMAN: Could you state
20 and spell your name for the record.

21 MR. WOLTERS: Tom Wolters,
22 W-O-L-T-E-R-S, representing Quaker Oats Company.

23 MR. COFFMAN: And is Quaker Oats
24 an industrial customer of St. Joseph Light & Power
25 electric service?

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1 MR. WOLTERS: Yes.

2 MR. COFFMAN: And would you give
3 your address for us, please.

4 MR. WOLTERS: 2811 South 11th
5 Street, St. Joseph, 64503.

6 MR. COFFMAN: Please proceed
7 with your comments.

8 MR. WOLTERS: As I stated, my
9 name is Tom Wolters. I'm the manager of
10 engineering at the St. Joseph plant. An
11 introduction to the company, our company is
12 headquartered in Chicago, Illinois, and it's a
13 global food and beverage company with
14 manufacturing operations and sales in countries
15 throughout the globe. We have six North American
16 manufacturing plants, one being located in
17 St. Joseph, Cedar Rapids, Iowa, Shiremanstown,
18 Pennsylvania, Danville, Illinois, Manhattan,
19 Kansas, and Peterborough, Ontario, Canada. We
20 also have seven Gatorade beverage plants; two
21 Golden Grain pasta plants, and one rice cake
22 plant in the U.S. as well as various distribution
23 centers throughout the United States.

24 Our product lines company wide include
25 ready-to-eat cereals such as Captain Crunch,

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1 Quaker Toasted Oatmeal, Life Cereal, oatmeal,
2 standard oatmeal in tubes, pouches, instant
3 oatmeal as well as industrial and food service
4 oats. Aunt Jemima pancake and syrup products,
5 corn bread and coffee cake, grits and corn
6 products such as Motsa Morena and corn meal.
7 Golden grain products such as Rice-A-Roni pastas,
8 snacks such as rice cakes, popcorn cakes, Quaker
9 chewy granola bars and fruit and oatmeal bars.
10 Crunchable wheat germ and finally Gatorade thirst
11 quencher beverages. Our manufacturing plant here
12 in St. Joseph, Missouri, dates back to the 1920s.
13 It's one of the six North American cereal
14 manufacturing locations and is the second largest
15 manufacturing location for the Quaker Oats Company
16 world-wide next to Cedar Rapids, Iowa. The annual
17 production from St. Joseph's plant is
18 approximately 20 million cases annually. The
19 products we produce here in St. Joseph include
20 ready-to-eat cereals, oatmeal products, grits,
21 corn products, Aunt Jemima pancake products. Our
22 employment consists of over 650 people being
23 comprised of 500 bargaining unit people, 110
24 salaried and managerial people, in addition to a
25 seasonal work force of temporary workers numbering

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1 approximately 150.

2 Our annual payroll is approximately \$30
3 million. Our local property taxes are in excess
4 of \$800,000 annually in addition to state and
5 federal taxes. We're a major supporter and a very
6 involved corporate citizen in the St. Joseph
7 community. We are a major contributor to
8 charitable causes, a supporter and contributor to
9 education at all levels within the city, and we
10 allow employees to be involved and contribute
11 their talents and participate in many St. Joseph
12 programs including education, community volunteer
13 organizations, charitable services, and the plant
14 donates over \$50,000 annually to causes and
15 organizations within the St. Joseph community.

16 Our Quaker Oats plant in St. Joseph is the
17 No. 1 largest electrical power user and customer
18 for the St. Joseph Light & Power Company with
19 annual electrical power utility costs of
20 approximately \$2 million annually. We're a major
21 customer providing significant business income to
22 many local businesses within the community. The
23 utilities consisting of electricity, water, sewer
24 and natural gas, construction contractors,
25 warehousing, transportation, business machines and

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1 office products as well as local farmers supplying
2 us ground.

3 The scope of competition in the Quaker Oats
4 Company is based on cost per case, and we are, of
5 course, in competition in a global market. I
6 mentioned the six North American food plants which
7 we compete for products. We can manufacture those
8 products at any location. We compete for volume
9 based cost per case, and the cost of electricity
10 is a factor in that case. The cost per case cost.

11 In addition to that competition we must
12 continue to overcome hurdles to secure new capital
13 investments for future business and production
14 volume growth. That concludes what I have to say.

15 JUDGE WOODRUFF: Thank you, sir.

16 Mr. Coffman?

17 MR. COFFMAN: No questions.

18 JUDGE WOODRUFF: Mr. Swearengen?

19 MR. SWEARENGEN: No questions,
20 thank you.

21 JUDGE WOODRUFF: Mr. Schwarz?

22 MR. SCHWARZ: One question.

23 What are industrial oats?

24 MR. WOLTERS: Industrial oats,
25 that's simply food processing not for the

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1 customer, but 50 pound sacks that we actually sell
2 to industry.

3 JUDGE WOODRUFF: Mr. Conrad?

4 MR. CONRAD: No questions.

5 JUDGE WOODRUFF: Commissioner
6 Drainer?

7 COMMISSIONER DRAINER: Yeah.
8 Mr. Wolters, is it then your testimony that you're
9 asking the Commission in this case when it looks
10 at the rate issue that it take into consideration
11 that the industrial user such as yourself not
12 carry an unfair burden as to all rates for St.
13 Joseph?

14 MR. WOLTERS: Correct, and I
15 apologize for not making that clear.

16 COMMISSIONER DRAINER: You don't
17 need to apologize. I just wanted to be clear. I
18 was also very attentive in your first five minutes
19 because by the time you got to the rice cakes I
20 was getting hungry. Is your rice cake plant a new
21 plant in Columbia, Missouri?

22 MR. WOLTERS: There is a new
23 plant in Columbia.

24 COMMISSIONER DRAINER: Do you
25 provide them some product for them to finish out

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1 rice cakes?

2 MR. WOLTERS: The rice cakes
3 specifically we don't provide any product for, no.

4 COMMISSIONER DRAINER: Well,
5 thank you very much. I appreciate your testimony.

6 JUDGE WOODRUFF: Thank you, sir.
7 Mr. Coffman, next witness?

8 MR. COFFMAN: There are no other
9 members of the public who signed up on the list.
10 There may be some members who walked in during the
11 public hearing.

12 JUDGE WOODRUFF: Is there anyone
13 else who would like to speak who hasn't had a
14 chance to sign up?

15 (No response.)

16 JUDGE WOODRUFF: Okay. I don't
17 see anyone, so thank you all for coming here
18 tonight and giving us your comments. Commissioner
19 Drainer?

20 COMMISSIONER DRAINER: Only that
21 I very much appreciate the comments made to us
22 this evening by the industrial users. I felt that
23 your comments were all very articulate and were
24 comments that I've never heard before in a public
25 hearing, and they are very useful. They will be

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1 considered not just by myself but that's why we do
2 have a transcript. I can assure you that my
3 fellow commissioners when I get back, when I come
4 in tomorrow will say well, how did the public
5 hearing go, and I will be sure to reinforce to
6 them that they must read this transcript. It was
7 very thought provoking and well put together.
8 Thank you so much for taking the time from your
9 busy schedules to give us not only your thoughts
10 but I know you are really representing your
11 employees and that you very much want to assure
12 that they have their jobs and they do keep very
13 strong businesses going in the St. Joseph area and
14 in Missouri, and I really sincerely appreciate
15 your comments this evening. Thank you, and I am
16 going to look at the bottom of my cat cans
17 tonight.

18 JUDGE WOODRUFF: Thank you
19 everyone. This hearing is adjourned.

20

21 (Hearing concluded at 7 o'clock p.m.)

22

23

24

25

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1 C E R T I F I C A T E

2 STATE OF MISSOURI)

3)

4 COUNTY OF ANDREW)

5 I, Karen J. Lyman, Registered Professional
6 Reporter and Notary Public of the State of
7 Missouri, do hereby certify that I appeared at the
8 time and place first hereinbefore set forth, that
9 said proceedings were taken before me and
10 thereafter transcribed into typewriting under my
11 direction and supervision; and I hereby certify
12 that the foregoing transcript of proceedings is a
13 full, true and correct transcript of my shorthand
14 notes.

15 I further certify I am neither counsel, nor
16 related to any party to said action, nor otherwise
17 interested in the outcome thereof.

18 IN WITNESS WHEREOF, I have hereto set my hand
19 and affixed my seal this 25TH Day of JUNE, 1999.

20

21

22 KAREN J. LYMAN, RPR, CSR, CCR

23 COSTS: COSTS DUE FROM: PSC

24

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