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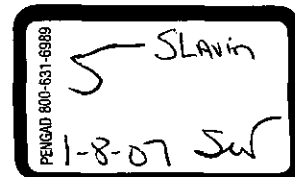
Missouri Public
Service Commission

Testimony of Alberta C. Slavin
President of Consumers Council of Missouri

Presented to the Public Service Commission
Public Hearing
Regarding AmerenUE Rate Case

January 8, 2007

ER-2007-0002
GR-2007-0003



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Introduction to Testimony

My name is Alberta Slavin. I served as a member and then Chair of the Missouri Public Service Commission from 1978 to early 1981, and I have studied utility issues for a long time. I currently serve as president of the Consumers' Council of Missouri, an intervener in this rate case. I am also among the hundreds of thousands of individuals that suffered in the recent AmerenUE outages. I am testifying both as president of the Consumers' Council and as a customer. I also have a handout that I would like entered into the record.

Safe and reliable electric service should be provided by a regulated utility. Absent that, a company should not be rewarded with higher rates. Certainly AmerenUE should not receive any rate increase for making the improvements they need to make until they make them and then only after there has been a full rate case audit of its total investments and expenses. It is outrageous for AmerenUE's CEO to even suggest a "special rider" or surcharge that would allow single-issue rate increases on this subject.

Putting storm reliability issues aside for a moment, I think it is extremely interesting that two extensive audits of AmerenUE show that our electric rates actually should be reduced to prevent excess profits. Both your own staff and the Missouri Attorney General have independently come to the conclusion that AmerenUE is now overearning above and beyond the legally allowed revenue limit.

Testimony

I, like hundreds of thousands of other AmerenUE customers, was without electric service as a result of outages caused by the recent ice storm. Our outage lasted for about four days, and temperature inside our home reached a low of thirty-three degrees. It was extremely frustrating to call the company's 800 number day after day only to be told by a recorded voice to prepare for a long outage with no estimate on when service would be restored.

As part of our research for the pending AmerenUE rate case, I called a utility company in California, Pacific Gas and Electric (PG&E), where I had heard of its

compensation program for customers who suffered long periods without electric service following severe storms.

Such a program does indeed exist. It is called a "Safety Net" program, and the Consumers Council advocates adoption of a similar program by AmerenUE. Here's the way it works:

Residential customers...in fact only residential customers...who lose their electric service for longer than 48 hours are entitled to receive compensation for the inconvenience caused by the outage. For each 24 hours after the 48-hour threshold, customers will automatically receive either a check or credit on their electric bill in the amount of twenty-five dollars (\$25) for each additional 24 hours they are without electricity. Since this may only cover part of a customer's losses, it in no way prevents them from filing additional claims for losses. These claims are handled on a case-by-case basis. The Safety Net program is triggered whenever a storm causes both extensive and extended outages.

Although we in the Consumers Council realize a "Safety Net" program by AmerenUE would in no way begin to cover the losses experienced by its customers in the last two major outages, it would at least indicate the company took responsibility other than simply telling folks to prepare for a long outage...and then claim the company has done an admirable job restoring service for thousands of unhappy customers.

My research also shows that AmerenUE computers are able to tell the company precisely how long a customer is out of service. In fact, a customer service representative told me my family was without service for ninety-four and a half hours and that we

weren't charged during that time period. Under a Safety Net program, we would probably qualify for close to a \$50 credit or refund check. If we lost a lot of food or were required to go to a hotel because of health or age or unlivable conditions in our home, I could also file a claim which would be handled on a case-by-case basis.

What is the value of such a "Safety Net" program adopted by PG&E? In addition to the goodwill it should engender, it would be a strong financial incentive to restore power as quickly as possible to avoid payment of refunds to customers. In addition, the simplicity of the program makes it easy for customers to be compensated for the inconvenience caused by an extended outage.

In response to a recent request by the PSC for improvements which could be made to improve the company's reliability, AmerenUE recommended some changes. These included more money for tree trimming, comprehensive pole and line inspections, and burying more power lines. It would seem to me the first two should be part of the company's routine maintenance. However, AmerenUE chief Executive Thomas R. Voss was quoted as saying many of the steps suggested would take years to show results. Unfortunately, storms and outages will probably continue in the foreseeable future. This makes adoption of a Safety Net program even more important.

Although the Consumers Council recommends AmerenUE voluntarily adopt this program as PG&E says it did, it may require regulatory action to initiate in Missouri. In either case, it is very important to realize this is a program which is paid for out of shareholder earnings, not rates. Otherwise, it would not actually serve as an incentive.

In addition to building goodwill, the Consumers' Council believes such a program

would be a strong incentive to the company to do a better job of maintaining its system and keeping up with its tree trimming program.

I also want to strongly object to the notion (included in the January 4th letter from AmerenUE's CEO to Chairman Davis) that the Commission should consider "special riders, recovery of construction work in progress..." and other means to pay for improvements that would be manifestly unfair to consumers. Missouri consumers are already at risk for enough single-issue surcharges as a result of SB 179, signed by Governor Blunt in 2005. Creating yet another way to raise rates without a full rate case audit would be unconscionable, adding insult to injury. And allowing possible future investments into rates before they made those investments would allow windfall profits. The improvements that AmerenUE needs to make should have already been made and consumers should not be required to grant special rate rewards above and beyond normal rate case procedures.

AmerenUE keeps repeating that it has not had a rate increase in a long while. What they fail to mention is the reason. The reason is that they have been consistently overearning and reaping excess profits. Ratepayers deserve a rate reduction to avoid AmerenUE from continuing to keep those excess profits.

The Consumers Council takes the position that the PSC should demand that a utility provide safe and reliable service. AmerenUE clearly is not meeting that standard of service. On this basis alone, a rate increase should be denied. Too many AmerenUE customers feel compelled to buy generators to prepare for the frequent outages they have

faced within a matter of months. This should not be happening.

PG&E recognized it had a problem because of frequent storms and frequent outages. It took steps to offer some relief to customers inconvenienced by extended periods without electricity. Absent the company voluntarily adopting such a program, the Consumers Council of Missouri asks the Public Service Commission to require the company to adopt this simple program of great potential benefit to customers of the Company. AmerenUE should not be rewarded with higher rates and potentially higher salaries and bonuses for its executives while it continues to offer less than reliable service to its customers. Giving the company an increase in rates before it is required to provide safe and reliable service for its customers sends the wrong message. Regulators should reject the rate increase and adopt its staff's recommendation for a significant decrease in rates.