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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS
Public Hearing
October 15, 2003
St. Joseph, Missouri

ORIGINAL

In the Matter of Missouri-American)
Water Company's Tariff to Revise) Case No. WR-2003-0500
Water and Sewer Rate Schedules)

KEVIN A. THOMPSON, Presiding,
DEPUTY CHIEF REGULATORY LAW JUDGE

STEVE GAW, Commissioner

FILED

OCT 23 2003

*Missouri
Public Service Commission*

REPORTED BY: Melanie K. Williams

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

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4 JOHN COFFMAN, Senior Public Counsel

5 FOR: Office of the Public Counsel

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8 KEITH KRUEGER, Legal Counsel

9 FOR: Staff of the Missouri Public

10 Service Commission

11

12 W.R. ENGLAND, III, Brydon, Swearngen & England, P.C.

13 FOR: Missouri-American Water Company

14

15 DAVID P. ABERNATHY, Vice President, General Counsel

16 FOR: Missouri-American Water Company

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1 I N D E X

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4 WITNESS PAT LILLY..... 7

5 WITNESS BOB KNOELL..... 12

6 WITNESS TERRY MCCLUTCHEY..... 14

7 WITNESS RUDY WACKER..... 19

8 WITNESS ERIC WATTENBARGER..... 24

9 WITNESS RICHARD DESHON..... 29

10 WITNESS JEFF HOWER..... 32

11 WITNESS TINA BLACK..... 34

12 WITNESS HELEN PRICE..... 40

13 WITNESS BRUCE WHITSELL..... 47

14 WITNESS LARRY BURCHETT..... 51

15 WITNESS RICHARD EVERS..... 56

16 WITNESS BILL CARPENTER..... 58

17 WITNESS JANET PULLEE..... 60

18 WITNESS MELISSA KOCH..... 62

19 Certificate..... 65

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

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3 (Hearing commenced at 5:10 p.m.)

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JUDGE THOMPSON: We are here in the matter of the tariff sheets proposing a general rate increase for water service and sewer service, Case Number WR-2003-0500, Missouri-American Water Company. The proposed water service tariffs propose an annual increase of approximately 12.2 percent, designed to produce approximately \$20 million in additional annual water service revenue, and an increase in sewer revenues of 3.3 percent, \$1,637. There is also a complaint which has been filed by the Commission staff alleging that the company, at the present rate level, is over-earning in an amount of approximately \$20 million per year.

The Missouri Public Service Commission regulates the rates and conditions of service of investor-owned utilities, such as Missouri-American Water Company. The Commission ensures that rates are just and reasonable and that facilities are safe and adequate.

1 The Commission consists of five Commissioners.
2 As I indicated, one Commissioner, Steve Gaw, is with
3 us tonight. The Commissioners are appointed by the
4 Governor to fixed term confirmed by the Missouri
5 Senate. The Commission also employs a technical
6 staff of engineers, accountants, attorneys,
7 financial analysts, and other technical experts.

8 At this time, we will take entries of
9 appearance of counsel, beginning with the Commission
10 staff.

11 MR. KRUEGER: My name is Keith R. Krueger. I
12 represent the Staff of the Missouri Public Service
13 Commission. My address is P.O. Box 360, Jefferson
14 City, Missouri 65102.

15 JUDGE THOMPSON: Thank you, Mr. Krueger.

16 MR. COFFMAN: My name is John Coffman, here
17 representing the Office of the Public Counsel and
18 the rate-paying public. My address is P.O. Box
19 7800, Jefferson City, Missouri, 65102.

20 MR. ENGLAND: Thank you, Judge. Let the record
21 reflect the appearance of W.R. England and David
22 Abernathy on behalf of the Company,
23 Missouri-American Water Company.

24 JUDGE THOMPSON: Thank you.

25 At this time, I will call the first witness.

1 Pat Lilly.

2 Excuse me, Commissioner Gaw has something to
3 say at this time.

4 COMMISSIONER GAW: I just, first of all, want
5 to thank everybody for coming here this evening and
6 for taking time out of I know very busy lives that
7 everyone has, to express your opinion in regard to
8 the case that's in front of the Commission.

9 I want to especially recognize the fact that
10 Senator Charlie Shields is here to listen and, if he
11 wishes, to say something. And Representative Ed
12 Wildberger is also here. Is there anyone else here,
13 Charlie or Ed, from the General Assembly?

14 SENATOR SHIELDS: I think just Ed and I.

15 COMMISSIONER GAW: Okay. I appreciate both of
16 you all being here this evening.

17 We want to hear from you. If your name is not
18 on the list, it does not mean you can't say
19 something. It's just for purposes of organization.
20 So when we get to the end of the list, the Judge
21 will ask if there's anyone else who wishes to say
22 something.

23 Again, thank you for coming this evening. Your
24 comments are important to us in making the decision
25 that we will have to reach in regard to this case.

1 And we appreciate you taking the time to express
2 your opinion.

3 Thank you.

4 JUDGE THOMPSON: Thank you, Commissioner.

5 Pat Lilly. Mr. Lilly, raise your right hand,
6 sir.

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9
10 PAT LILLY, having been first duly sworn, was examined and
11 testified as follows:

12
13 JUDGE THOMPSON: Could you please spell your
14 last name for the reporter?

15 MR. LILLY: Last name Lilly, L-I-L-L-Y.

16 JUDGE THOMPSON: Mr. Lilly, are you presently a
17 customer of Missouri-American Water Company?

18 MR. LILLY: Yes, I am.

19 JUDGE THOMPSON: Please proceed.

20 MR. LILLY: Thank you.

21 Let me begin by saying, first, my name is Pat
22 Lilly and I am President and CEO of the St. Joseph
23 Area Chamber of Commerce.

24 Commissioner Gaw and Members of the Public
25 Service Commission Staff and Office of Public

1 Counsel, we appreciate the opportunity of having
2 this hearing here in St. Joseph. So thank you for
3 that.

4 The Chamber of Commerce in St. Joseph is part
5 of what we refer to as the St. Joseph Water Rate
6 Coalition, which is an intervenor in this case, and
7 represents eighteen members, which include the City,
8 the County, the school district, the college, the
9 Chamber of Commerce and businesses in the community.
10 And you will be hearing, later, from some of those
11 who have signed up to provide testimony.

12 The Coalition was formed in light of the
13 interest on the impact of the community from the
14 proposed rate increase. The previous rate increase
15 that was determined approximately two years ago had
16 a significant impact on St. Joseph. This was
17 especially true of our industrial customers who saw
18 their rates increase by more than 150 percent. This
19 has placed jobs in jeopardy in our community and
20 works as a denizen in attracting new jobs and
21 investment to our community.

22 From an economic development standpoint,
23 Missouri-American Water Company has built a new
24 water plant, and, certainly, that will serve the
25 community for years to come. And the company has

1 demonstrated that it supports economic development
2 efforts here in St. Joseph. But the real issue
3 comes down to just and reasonable rates and
4 determining what is fair and equitable for St.
5 Joseph. And I say that in light of ensuring, too,
6 that St. Joseph is not subsidizing other districts
7 throughout the state.

8 The key for us in setting rates as a community
9 really gets back to how can we create new jobs and
10 investment. And, frankly, the way that the rates
11 are set, currently, really acts as a denizen, as I
12 noted earlier.

13 What we ask for is that the rates be set in a
14 way that stimulates economic development and job
15 growth and supports the growth of our community.
16 This is an issue that I think you will see when you
17 hear from other members of the Water Coalition. It
18 really is community-wide. This just isn't an
19 industry issue. This just isn't a school district
20 issue or a city issue. It is truly a community
21 issue that affects everyone here. And that's why
22 we're here this evening to provide this testimony.

23 Thank you.

24 JUDGE THOMPSON: Thank you, Mr. Lilly.

25 Questions from the bench, Commissioner?

1 COMMISSIONER GAW: Mr. Lilly, I suspect that
2 there may be testimony that will be provided to us
3 that is more specific in the future, so I don't want
4 to go too far down that road. But if you want to
5 give a little more detail on what your group
6 believes ought to be done within the community, as
7 far as the rates are concerned, and if you have any
8 specifics in regard to how you think the structure
9 of the rates could be improved to achieve the goals
10 that you set forth.

11 MR. LILLY: And there will be further testimony
12 submitted here and in the future to address that.

13 I think, firstly, you have to go back to the
14 way the rates were set previously, which had a very
15 disproportionate impact on the community as a whole.
16 And while I'm sure there was good rational to do
17 that, at least somewhere -- I'm going to make that
18 assumption -- the reality was, it had a huge impact
19 on the business community and, in some respects, put
20 many of businesses at risk, particularly companies
21 that are competing every day for jobs and investment
22 from other plants located in the country. And it's
23 imperative that we have rates in this community,
24 utility rates, that are competitive with other
25 communities throughout the Midwest. Currently, that

1 is simply not the case. That burden has been
2 shifted in a manner that really puts us at a
3 disadvantage.

4 Obviously, the rate issue is a two-fold issue.
5 It gets to revenue. Certainly, the complaint case
6 that has been filed is something that we would
7 support in the context that we're concerned about
8 the revenue issue.

9 The other piece of that is rate design. And,
10 as I said, we probably will be submitting some
11 additional testimony in the future on that issue.
12 We've just recently received what the Public Service
13 Commission Staff has provided. But that will be a
14 key issue, as well. One, making sure that the
15 revenue request is appropriate. And then, two, what
16 that rate design is. And, frankly, the rate design,
17 we look at that in the context of, again, fairness
18 among all rate payers in the community.

19 COMMISSIONER GAW: Okay. I'll look forward to
20 the testimony for the -- for more of that, but thank
21 you.

22 JUDGE THOMPSON: Questions from Counsel for Mr.
23 Lilly? There appear to be none.

24 Bob Knoell. Please raise your right hand.

25

1 BOB KNOELL, having been first duly sworn, was examined and
2 testified as follows:

3

4 JUDGE THOMPSON: Could you please spell your
5 last name for the reporter?

6 MR. KNOELL: It's Knoell, K-N-O-E-L-L.

7 JUDGE THOMPSON: Mr. Knoell, are you presently
8 a customer of Missouri-American Water Company?

9 MR. KNOELL: Yes, I am.

10 JUDGE THOMPSON: Please proceed.

11 MR. KNOELL: My name is Bob Knoell and I
12 represent Nestle Purina Pet Care Company of which we
13 have two canning manufacturing facilities located
14 here in St. Jo. One at 2017 Lower Lake Road. The
15 other at 4502 Packers Avenue. We are also part of
16 the Water Rate Coalition group that Mr. Lilly just
17 mentioned. I'd like to take, also, this opportunity
18 to thank everyone here for scheduling the meeting
19 and allowing us to present testimony on this hearing
20 in this matter.

21 A little bit of history, Nestle Purina Pet Care
22 manufactures dry and canned pet food, and we have
23 been doing so in St. Joseph since about 1970. We
24 currently have about 266 employees that are located
25 in both facilities.

1 Resulting from the previous Missouri-American
2 rate case, our company realized 150 percent increase
3 on our water rates. At the public hearing for the
4 previous rate case that was held in St. Joseph, I
5 had spoke to the Commissioners that the two
6 factories in St. Joe compete not only on the domestic
7 and international marketplace, but we also compete
8 internally with our own sister factories within the
9 Nestle Purina group. In that testimony, I had noted
10 that the increased water rate, at that time, would
11 be detrimental to my factory's ability to remain
12 cost competitive. To that point, I would like to
13 say that, in December of this year, the factory at
14 Lower Lake is shutting down its operation. The
15 increased water rate was just one of many factors
16 that contributed to the decision to close the
17 factory at Lower Lake.

18 Because of the significant increase in 2000, we
19 oppose any additional increases and support the
20 Staff's complaint that seeks a reduced earnings of
21 the \$20 million. And, also, in efforts to find ways
22 to reduce and minimize coast, we are continually
23 exploring the opportunity to find alternate methods
24 of getting water.

25 I thank you for your consideration and

1 attention in this matter.

2 JUDGE THOMPSON: Thank you, Mr. Knoell.

3 Questions from the bench, Commissioner?

4 COMMISSIONER GAW: I don't believe so. Thank
5 you, Judge.

6 JUDGE THOMPSON: Questions from Counsel? There
7 appear to be none. You may step down.

8 Terry McClatchen. And please pardon me if I've
9 garbled your name. You'll have a chance to correct
10 me when you get to the podium. Raise your right
11 hand, please, sir.

12

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15 TERRY MCCLATCHEY, having been first duly sworn, was
16 examined and testified as follows:

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18 JUDGE THOMPSON: Would you please spell your
19 last name for the reporter?

20 MR. MCCLATCHEY: M-C-C-L-A-T-C-H-E-Y.

21 JUDGE THOMPSON: And how do you pronounce it?

22 MR. MCCLATCHEY: (Mc - clat - chey).

23 JUDGE THOMPSON: Thank you, sir. Pardon my
24 mispronunciation.

25 Are you presently a customer of

1 Missouri-American Water Company?

2 MR. MCCLATCHEY: Yes, I am.

3 JUDGE THOMPSON: Thank you. Please proceed.

4 MR. MCCLATCHEY: My name is Terry McClatchey.

5 I'm here to represent Ag Processing, Incorporated, a
6 cooperative, as the marketing manager of the St.

7 Joseph facility located at 900 Lower Lake Road. I

8 would like to thank the Missouri Public Commission

9 for allowing AGP to express our concerns relating to

10 the recently filed Missouri-American Water case.

11 AGP has soy processing and soybean oil

12 refineries located through Minnesota, Iowa, Nebraska

13 and St. Joseph, Missouri. AGP is a cooperative

14 owned by various local and regional co-ops that are,

15 in turn, owned by farmers, including farmers in

16 Missouri. We operate in a very competitive industry

17 within local, national and international markets.

18 Because we are in the commodity business, we do not

19 have the opportunity to pass on higher water costs

20 to our customers. We either take the increase and

21 reduce the dividend paid to the farmer or we find

22 alternative means to reduce operating costs.

23 AGP employs 159 people at the St. Joseph

24 facility, with an annual payroll of over \$8 million,

25 including salaries and benefits. We pay property

1 taxes to the City, County and State of Missouri
2 totaling more than \$500,000.

3 AGP, being located in St. Joseph, hires local
4 contractors and uses local merchants for supplies
5 and services. We also provide other St. Joseph
6 industries with finished products. In addition, AGP
7 is considered a good corporate citizen and involved
8 in the community.

9 AGP buys a portion of its water from
10 Missouri-American Water Company and utilizes our own
11 water well located at the land site. According to
12 information supplied to the public,
13 Missouri-American states that the industrial users,
14 such as AGP, would receive a rate decrease of 2.9
15 percent. Our review, however, shows that this claim
16 is wrong. In review of the new proposed tariffs,
17 AGP will actually receive a three percent increase,
18 a difference of approximately six percent. The
19 stated decrease will cost AGP's St. Joseph location
20 approximately \$14,000 more for water each year above
21 the rates we believe are already grossly excessive.

22 It's our understanding that the Commission
23 Staff and Public Counsel will challenge various
24 issues of the rate filing, along with our St. Joseph
25 Coalition. When AGP reviewed the issues, there

1 appears to be no offsetting cost. For example, if
2 the new call center was developed to save money,
3 where is the savings reflected in the proposed rate.

4 Another example, fire hydrant charge. Why is
5 Missouri-American proposing to make it a separate
6 line item on the bill, but does not remove the
7 charge from past total revenues. It appears that a
8 rate decrease may be in order if the mergers and
9 various changes have made Missouri-American more
10 efficient.

11 And our review of the cost of processing and
12 distributing water is not related to customer
13 classification, such as commercial, industrial and
14 the like. It does not cost the water company more
15 or less to process and distribute water to a
16 commercial establishment than it does an industrial
17 customer. Rather, the cost should be related to the
18 size of the installation, the size of the metering
19 company, the -- pardon me, the metering equipment,
20 and the size of the main or distribution line that
21 is used to provide service. It, unquestionably,
22 costs less per year to deliver water through larger
23 mains or connections. We also believe that the rate
24 usage block should reduce the per gallon cost when
25 additional water is purchased in any given month.

1 And, finally, we do not understand the present rate
2 structure that charges a large user more per unit
3 than a smaller user.

4 In conclusion, I stated earlier that AGP uses
5 its own well water to reduce the amount of water
6 purchased from Missouri-American. As a result of
7 the last rate increase of 176 percent, which
8 increased AGP's costs by approximately \$200,000 a
9 year, we have reduced current water usage and
10 avoided new uses of water in order to reduce our
11 purchased water from Missouri-American. We are
12 continually working on this effort and we are
13 looking at installing additional cooling towers and
14 reviewing new technology, such as rain wells, to
15 meet our water needs.

16 The last increased rate of 176 percent has
17 forced customers to find alternative means to reduce
18 their costs. Unfortunately, AGP and other St.
19 Joseph industries are forced to take capital
20 originally tagged for plant expansion to purchase
21 equipment necessary to reduce water usage just to
22 maintain production levels. Missouri-American rate
23 increases have produced a kind of death spiral by
24 forcing a reduction in sales, causing rates to
25 increase even more.

1 Thank you for allowing me to address this
2 important issue which affects Ago Processing and
3 other St. Joseph industries.

4 Thank you.

5 JUDGE THOMPSON: Thank you, Mr. McClatchey.

6 Questions from the bench, Commissioner Gaw?

7 COMMISSIONER GAW: Thank you for your
8 testimony.

9 JUDGE THOMPSON: Questions from Counsel? There
10 appear to be none.

11 You may step down. Thank you, sir.

12 Rudy Wacker.

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16 RUDY WACKER, having been first duly sworn, was examined and
17 testified as follows:

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19 JUDGE THOMPSON: Would you please spell your
20 last name for the reporter?

21 MR. WACKER: It's Wacker, W-A-C-K-E-R.

22 JUDGE THOMPSON: Mr. Wacker, are you presently
23 a customer of Missouri-American Water Company?

24 MR. WACKER: Yes, I am.

25 JUDGE THOMPSON: Please proceed.

1 MR. WACKER: My name is Rudy Wacker. I'm the
2 chief administrative officer with Heartland Health.
3 Heartland Health is the parent company for the
4 Heartland Regional Medical Center, which is located
5 here in St. Joe at 5325 Faraon Street. It is also a
6 rate payer of the Missouri-American Water Company
7 and is also a member of the St. Joe Water Rate
8 Coalition. I, too, want to thank everyone for being
9 in St. Joe for this hearing and hearing from us.

10 Heartland Health is a major regional referral
11 center for Northwest Missouri, serving approximately
12 300,000 in a 21 county area. We have a health plan
13 and a group of approximately 90 employed physicians.
14 Heartland is also the largest employer between Omaha
15 and Kansas City. We have served the northwest
16 corner of Missouri for about 20 years, and we employ
17 approximately 2,800 people at the organization, the
18 vast majority of whom are also rate payers.

19 In the last case, Heartland experienced a very
20 significant increase to its water rates. Our rates
21 approximately doubled. Our review in this case
22 indicates that, contrary to what's been published,
23 our actual cost will increase about 52 percent. And
24 we'd like it known that we oppose any additional
25 rate increases. We do support Staff's complaint

1 case to reduce the water company's earnings by over
2 \$20 million.

3 In these days of high health care costs, the
4 last thing your employers, who paid the benefits,
5 insurance bills, of their employees, and, obviously,
6 patients, needs are higher rates passed through to
7 them from health care organizations.

8 We would beseech the Commission to ensure
9 fairness, particularly in the rate structure design,
10 to ensure that each class of customer and each
11 actual customer receive the rate that is actually
12 envisioned by the Commission, and that the classes
13 of customers and the blocks of rates, if any, within
14 the classes be designed to ensure fairness and
15 deployment of the actual intended rates and not hide
16 rate changes in a structure that appears to show
17 something to the contrary.

18 Thank you.

19 JUDGE THOMPSON: Thank you, Mr. Wacker.

20 Questions from the bench, Commissioner Gaw?

21 COMMISSIONER GAW: Mr. Wacker, would you mind
22 expanding a little bit on that last statement to
23 make it a little clearer for me, since this is the
24 first time I've seen this St. Joe water case. It
25 might be helpful, when you're talking about the rate

1 structure and hiding things within the design -- can
2 you be a little more specific?

3 MR. WACKER: It would appear, from our review
4 of the classes of customers, the blocks within those
5 classes, that when the company, say, advertises or
6 talks about the average increase or the average
7 decrease by customer category, that when you
8 actually apply those rates by the usage of a company
9 within those given blocks, it can be deceptive and
10 that the actual cost to that customer can actually
11 be higher than the average for the entire class.

12 COMMISSIONER GAW: Okay. I think I understand
13 that. Thank you very much. And thank you for
14 coming.

15 JUDGE THOMPSON: Questions from Counsel? Mr.
16 Krueger?

17 MR. KRUEGER: Yes. Mr. Wacker, you mentioned
18 something would increase your rate by about fifty
19 percent. Is that the company's request or the --

20 MR. WACKER: Yes. The original company
21 request, we anticipate, in our review, would raise
22 our cost about 52 percent.

23 MR. KRUEGER: But the company claimed it was
24 something different than that?

25 MR. WACKER: Not in that specific example.

1 MR. KRUEGER: How did you come to the
2 conclusion -- now, this is your specific rates,
3 you're talking?

4 MR. WACKER: That's correct.

5 MR. KRUEGER: How did you come to that
6 conclusion?

7 MR. WACKER: We simply applied what we believed
8 were the rate structures published to what our usage
9 would be.

10 MR. KRUEGER: So you think the increase for
11 your usage -- the increase in your bill might be
12 different than the increase in bills of others in
13 your class?

14 MR. WACKER: Yes, sir.

15 MR. KRUEGER: Okay. Thank you.

16 JUDGE THOMPSON: Further questions from
17 Counsel? There appear to be none.

18 Thank you, Mr. Wacker. You may step down.

19 Eric Wattenbarger.

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1 ERIC WATTENBARGER, having been first duly sworn, was
2 examined and testified as follows:

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4 JUDGE THOMPSON: Would you please spell your
5 last name for the reporter?

6 MR. WATTENBARGER: It's Wattenbarger,
7 W-A-T-T-E-N-B-A-R-G-E-R.

8 JUDGE THOMPSON: Mr. Wattenbarger, are you
9 presently a customer of Missouri-American Water
10 Company?

11 MR. WATTENBARGER: Yes, sir.

12 JUDGE THOMPSON: Please proceed.

13 MR. WATTENBARGER: As a consumer, I'm here
14 representing myself and my extended family. I have
15 a 92-year-old grandfather on social security. My
16 dad's here today. He's 65. He's getting ready to
17 be on a fixed income. And I come before you because
18 the PSC's charge is to provide us reliable utility
19 services at reasonable rates. And from my
20 prospective, you are dismally failing right now.

21 When you look at the justification that
22 Missouri-American is putting on their newest rate
23 increase, which has heightened security costs because
24 of the events of September 11th -- and they're a
25 monopoly. I don't have anybody else to go to. When

1 I turn my water on, that water comes from
2 Missouri-American. I turn it on and it works every
3 time. They provide reliable service, but, as a
4 monopoly, it's much easier for them to pass on those
5 costs than there would be if there was competition
6 for me to go to another source to get my water.

7 For example, a trucking company, if they want
8 to do infrastructure improvements and buy a new
9 truck because the one they get doesn't get good gas
10 mileage, they can't raise their rates proportionally
11 to pay for that new truck, because they operate in a
12 competitive market. They have to price their
13 services so they can maintain competitiveness with
14 other people participating in that marketplace.
15 Missouri-American doesn't have such competition.

16 I did a competitive analysis of other water
17 districts that Missouri-American supplies, not their
18 competitors. And I've tried to use similar
19 demographics, like St. Charles, Warrensburg and
20 Joplin. And the rates in St. Joseph are
21 approximately 53 percent higher than they are in St.
22 Charles; 35 percent higher than they are in Joplin;
23 and 69 -- no, I'm sorry, 35 percent higher than they
24 are in Warrensburg; 69 percent higher than they are
25 in Joplin. The mean of those is 52 percent. We pay

1 52 percent more for water than people in those other
2 communities for industrial water.

3 I can feel for the companies expressing their
4 dissatisfaction here. One of my friends is involved
5 in the layoff at Nestle. For what a company in St.
6 Charles pays, a company in St. Jo, for industrial
7 water, pays 291 percent. That's 191 percent more
8 than a company in St. Charles. And Warrensburg and
9 Joplin are about the same. And I would like to ask
10 the PSC to enforce a rate decrease for
11 Missouri-American customers of 92.33 percent, based
12 on what they charge other communities for
13 residential, industrial, and public authority water.

14 American Water Works is the largest publicly
15 traded U.S. corporation devoted exclusively to the
16 business of water. So, by default, they're a
17 monopoly company. And in today's corporate
18 governance and executive compensation, as a
19 regulated monopoly, I would look for their executive
20 pay to be similar to that of the public service
21 sector, like government and not-for-profit
22 organizations. Yet, according to their 2001
23 definitive proxy statement, their CEO's compensation
24 was \$595,165. He received a bonus of \$95,000. And
25 he has executable and unexecutable stock options of

1 \$3,112,161. And that's based on their 2001 DFS.
2 And as a regulated monopoly, I can see their need to
3 attract and retain competent people to run their
4 corporation, but they're doing so at a premium and
5 charging me more money to pay that salary because I
6 don't have a substitute to go to. I can't go buy
7 water from Wal-Mart to wash my dishes with.

8 In 2002, their net income was \$147,064,000.
9 Why do you need to raise my rate when your net
10 income, as stated in your annual report, is that
11 much money. Why do you need more money from me.
12 Their 2002 dividends paid were \$98,187,000. You're
13 redistributing income from people who have no choice
14 in a water supplier to your shareholders, which is
15 your charge. You are charged with maximizing
16 shareholder wealth, and you are charged with giving
17 me utilities at a fair price. And I don't think
18 there is a happy medium in those two.

19 From 1996 to 2001, Missouri-American's ROE
20 outperformed the S & P Utilities Index by 70
21 percent. And that is a -- I think that is a
22 significant amount to outperform other utilities in
23 the same -- in the same industry.

24 And the PSC Staff filed a complaint against
25 Missouri-American stating that they had earned in

1 excess of \$20 million statewide with its current
2 rates. I would look to you to take a more proactive
3 stance and manage that in the front instead of
4 saying, oh, we made a mistake. Because the
5 administrative cost of redistributing that money
6 will eat up the amount of money the consumer gets
7 refunded, if we get refunded any at all.

8 So I would like to see a decrease in water
9 rates of 92 percent to make residential, commercial,
10 industrial, and public authority rates be comparable
11 to other locals that Missouri-American services in
12 Missouri.

13 JUDGE THOMPSON: Thank you, sir. Questions
14 from the bench, Commissioner Gaw?

15 COMMISSIONER GAW: No, but thank you for
16 coming. We appreciate your testimony.

17 JUDGE THOMPSON: Questions from Counsel? Mr.
18 England?

19 MR. ENGLAND: Mr. Wattenbarger, the numbers
20 that you read from the annual report --

21 MR. WATTENBARGER: Yes, sir.

22 MR. ENGLAND: -- the executive compensation and
23 that information, is that American Water Works or --

24 MR. WATTENBARGER: Yes.

25 MR. ENGLAND: -- Missouri-American?

1 MR. WATTENBARGER: That's American Water Works.

2 MR. ENGLAND: Thank you.

3 MR. WATTENBARGER: Missouri-American is a
4 subsidiary of American Water Works.

5 MR. ENGLAND: Correct.

6 JUDGE THOMPSON: Any further questions? There
7 appear to be none. You may step down. Thank you,
8 sir.

9 The next witness -- I'm unable to decipher the
10 last name. The first name is Richard and the
11 address is 2810 Ashland in St. Joseph, Missouri.

12 MR. DESHON: That's Richard DeShon.

13 JUDGE THOMPSON: Sean?

14 MR. DESHON: DeShon.

15 JUDGE THOMPSON: DeShon. Thank you. Mr.
16 DeShon, would you raise your right hand.

17

18

19

20 RICHARD DESHON, having been first duly sworn, was examined
21 and testified as follows:

22

23 JUDGE THOMPSON: Are you presently a customer
24 of Missouri-American Water Company?

25 MR. DESHON: Yes.

1 JUDGE THOMPSON: I wonder if you might spell
2 your last name for the reporter.

3 MR. DESHON: D-E-S-H-O-N.

4 JUDGE THOMPSON: Thank you. You may proceed.

5 MR. WATTENBARGER: My name is Dick DeShon. I'm
6 president of Artisan Ice and Cold Storage Company
7 located at 2700 Stockyards Expressway, St. Joseph,
8 Missouri. We are a rate payer of Missouri-American
9 Water Company and we're part of the Water Rate
10 Coalition. I want to thank you gentlemen for coming
11 to St. Joseph today so that we can speak directly to
12 you.

13 We are a public ice and cold storage company in
14 operation since 1890. We employ approximately 40
15 people. We have warehouses at four locations -- two
16 of which use water for cooling condensers, and one
17 plant we still manufacture ice. We experienced a
18 209 percent increase at our 2700 Stockyards
19 Expressway plant and 115 percent increase at 3207
20 South 59th Street.

21 We oppose any increase that we can't reasonably
22 pass on to our customers. And water rate increases
23 have been unreasonable and we've not been able to
24 pass those on to our customers. I do not oppose
25 plant upgrades or modernization, but there was no

1 incentive, except a greater return on equity to
2 build a new plant to meet projected needs of the
3 community and we're paying for a capacity that may
4 never be used until this community experiences
5 substantial growth. Artisan will lose a major
6 customer at the Friskies Lower Lake plant in
7 December. And I would hope that the Public Service
8 Commission would re-evaluate the rates we are paying
9 in St. Joseph to avoid losing other companies where
10 utility costs are a major cost.

11 Artisan is not able to move to another city or
12 state, but we do have access to wells, which we
13 actually have used for seventy years, and we can
14 drill into the river and can use those to cool the
15 condensers. We prefer to buy water from
16 Missouri-American Water Company, but we would like
17 to have reasonable rates.

18 JUDGE THOMPSON: Thank you, sir.

19 Questions from the bench, Commission Gaw?

20 COMMISSIONER GAW: Thank you, Mr. DeShon.

21 Thank you very much.

22 JUDGE THOMPSON: Counsel?

23 Thank you.

24 Jeff Hower.

25

1 JEFF HOWER, having been first duly sworn, was examined and
2 testified as follows:

3

4 JUDGE THOMPSON: Could you please spell your
5 last name for the reporter, sir?

6 MR. HOWER: H-O-W-E-R.

7 JUDGE THOMPSON: Are you presently a customer
8 of Missouri-American Water Company?

9 MR. HOWER: Yes.

10 JUDGE THOMPSON: Please proceed.

11 MR. HOWER: My name is Jeff Hower. I'm
12 representing Hillyard Companies here in St. Joseph,
13 located at 302 North Fourth Street. We are also a
14 rate payer of the Missouri-American Water Company,
15 and we're a member of the Water Coalition.

16 Hillyard is a manufacturer of janitorial
17 supplies. We have been in operation in St. Joseph
18 since 1907. We employ 150 people in the St. Joseph
19 area and about 700 people nationwide.

20 The 2000 rate increase has resulted in a 264
21 percent increase in our water rates. Because water
22 is a major ingredient in our products, it
23 drastically affects the end product and that,
24 obviously, affects our business and competitiveness
25 in the market, not only here in St. Joseph, but

1 across the country. We are, like all the rest of
2 our competitors in St. Joseph, looking for ways to
3 reduce our water usage. We're looking at, also,
4 drilling wells. We're not in a good opportunity or
5 a good place in the city to be able to do that, but
6 that's what we're looking at. Because the huge
7 water rate increase that we ourselves got is just
8 devastating to development of new products and
9 trying to be able to compete in the marketplace.

10 We definitely oppose the increase in the rates
11 and we -- the rate structure is terrible for our
12 particular business. So that needs to be definitely
13 looked at and see if we can come up with something
14 that's a little more fair.

15 I'd like to thank you all for listening.

16 JUDGE THOMPSON: Thank you, Mr. Hower.

17 Questions from the bench, Mr. Gaw?

18 COMMISSIONER GAW: No. Thank you.

19 JUDGE THOMPSON: Questions from Counsel? There
20 appear to be none. You may step down.

21 Tina Black.

22

23

24

25

1 TINA BLACK, having been first duly sworn, was examined and
2 testified as follows:

3

4 JUDGE THOMPSON: Are you presently a customer
5 of Missouri-American Water Company?

6 MS. BLACK: Yes, sir, I am.

7 JUDGE THOMPSON: Please proceed.

8 MS. BLACK: I have lived in my home for 25
9 years in the very same location. And I have, one
10 time, had five people living in my home. At this
11 time, I am the only person living there. I have no
12 pets and no grandchildren living with me, just
13 myself. My flower boxes have plastic flowers in
14 them now. I can't afford to water.

15 Okay. I've always paid my bills on time. This
16 year, in May -- in April, on April the 16th, I got a
17 bill for one person, \$74.24. One person. \$74.24.
18 Needless to say, I've spent many hours calling the
19 1-800 number. Prior to that, the highest bill I had
20 ever gotten in 25 years was \$39.95. Before, they
21 were \$23 or \$27 or something like that. Well, after
22 numerous calls, the answer still was that they had
23 estimated my bill many times and, therefore, I owed
24 that. And I said, I don't think it's right. And
25 she said, Ma'am, we'll send you a meter reader and

COVERING MISSOURI ST. LOUIS TO ST. JOSEPH 1-800-633-8289

1 we'll leave in your door or in your mailbox the new
2 bill and what the reader reads. We'll go ahead and
3 send a meter reader out there and you'll get a
4 notice. Never did I get one. Never did I get one.
5 So the one girl said just go ahead and pay what you
6 think is fair. So I paid \$25 in May. Okay. Then,
7 in May, I was gone two weeks from my home. Nobody
8 was using water. And so I got another bill.
9 Because I hadn't paid the \$50 from the previous
10 bill, my bill was then \$113.60. \$113.60. I'm a
11 senior citizen. I'm on a fixed income. I can't
12 afford these bills. I can't afford estimates. I
13 told the young ladies at the 1-800 number this. I
14 said, I want to be read every month. Now, I
15 understand we have five meter readers in St. Jo.
16 Now, I don't know if that's true or not, but that's
17 what I understand. Anyway, if you don't have meter
18 readers -- you don't have an office here in St. Jo.
19 You have that one on Beck Road, but I didn't
20 understand you could make payments there. So, you
21 know, we're paying our bills at Kovacs. You don't
22 have an awful lot of personnel here. So, you know,
23 you don't have that expense. And if you only have
24 five meter readers -- now, my meter reader is a
25 girl. Because I finally did catch up with her one

1 time. And the meter reader for my electric is a
2 girl. The electric girl comes every month. Why
3 can't the girl from the water come every month. I
4 just cannot afford to go ahead and pay \$113.60 a
5 month.

6 I appreciate you listening to me. I'm not a
7 good speaker, but I want to thank you for your time.

8 JUDGE THOMPSON: Questions from the bench,
9 Commissioner Gaw?

10 COMMISSIONER GAW: Ms. Black, you did very
11 fine. You're getting the message across very
12 clearly.

13 Can you tell me what your average bill is
14 running today?

15 MS. BLACK: I went ahead and researched it.
16 Since June the 8th of '01, that was \$23.79, \$26.32,
17 \$22.83. Down here to '02, January, \$24.64, \$17.80,
18 to May of 2002. I've researched it for two years.
19 Why I got that \$75 bill beats me. And I complained
20 loudly. And no one would give me any satisfaction.
21 We estimated your bill and it stands. And I paid.

22 COMMISSIONER GAW: Currently --

23 MS. BLACK: Now, since I did complain, June the
24 4th, it was \$26.77; July the 3rd was \$29.07; August
25 the 3rd, it was \$31.35; September, it was \$29.07;

1 October, it was \$29.07. But why did I have those
2 great big bills until I complained.

3 COMMISSIONER GAW: And I'd suggest that you may
4 want to, after this is over with, get with Staff and
5 with the Company to talk to them specifically, while
6 they're here in person, about that particular thing.
7 It's not what we're designed to do here, obviously,
8 but, afterwards, perhaps you can get some answers to
9 your questions. We're not -- and I think this may
10 be a very good opportunity for you to do that.

11 MS. BLACK: Thank you.

12 COMMISSIONER GAW: I really appreciate you
13 bringing forth your problem.

14 MS. BLACK: And I don't want to be estimated.
15 I want to pay what I owe.

16 COMMISSIONER GAW: Yes, ma'am. Are you still
17 getting estimated bills; do you know?

18 MS. BLACK: No. Because I watch it every month
19 and I call in.

20 COMMISSIONER GAW: Do you call in with what --

21 MS. BLACK: I call in. And if it's an
22 estimated bill, I said would you please -- I have
23 never once had any message left in my mailbox or in
24 the door that a meter reader has come.

25 COMMISSIONER GAW: All right. Thank you very

1 much, Ms. Black.

2 JUDGE THOMPSON: Mr. Coffman?

3 MR. COFFMAN: Yes. I wanted to clarify, Ms.
4 Black. When you said that you would call the 800
5 number, was that an 800 number with the water
6 company or was that the Public Service Commission
7 800 number?

8 MS. BLACK: No. The water company. The water
9 company. The one that comes with my water bill.
10 The girls were very nice and respectful to me. I
11 was very nice and respectful to them. It's not
12 their fault. They're just answering the telephone.
13 But have you ever tried to call that 1-800 number?
14 It takes you a half an hour.

15 MR. COFFMAN: How long would you estimate that
16 it took you to reach someone who could help you?

17 MS. BLACK: No one ever helped me. I paid. No
18 one ever helped me.

19 MR. COFFMAN: When you say a half an hour, do
20 you mean --

21 MS. BLACK: To answer the telephone.

22 MR. COFFMAN: -- that you were on hold --

23 MS. BLACK: Yeah.

24 MR. COFFMAN: -- for approximately that much
25 time?

1 MS. BLACK: Well, many times, you just give up
2 and you just go.

3 MR. COFFMAN: All right. I might suggest
4 there's another 800 number that can help you, too.
5 The Public Service Commission has people that help
6 with bill disputes. And this is a very good one
7 that should be investigated. And I would urge you
8 to --

9 MS. BLACK: I'm a senior citizen. And I was
10 more irate than you can imagine. So I got the 1-800
11 number that was on the water bill and I just called
12 it.

13 MR. COFFMAN: Well, hopefully, someone can work
14 with you. And I do urge you to talk with the Public
15 Service Commission afterwards.

16 Thank you.

17 JUDGE THOMPSON: Don't step away, Ms. Black.

18 Mr. Krueger, could you make sure that she gets
19 the Commission consumer hotline number at the end of
20 this, if you would.

21 Any further questions from Counsel? Mr.
22 England?

23 MR. ENGLAND: Not a question. I would urge you
24 to speak with the company representatives that are
25 here today.

1 MS. BLACK: I did speak to a gentleman by the
2 name of Frank, who was sitting by me, and he's heard
3 my story for the last half hour.

4 MR. ENGLAND: I appreciate that. We'll look
5 into it and get back to you.

6 JUDGE THOMPSON: Thank you very much, ma'am.
7 You may step down.

8 Helen Price.

9

10

11

12 HELEN PRICE, having been first duly sworn, was examined and
13 testified as follows:

14

15 JUDGE THOMPSON: Are you presently a customer
16 of Missouri-American Water Company?

17 MS. PRICE: Yes, I am.

18 JUDGE THOMPSON: Please proceed.

19 MS. PRICE: My name is Helen Price. I'm the
20 manager of Public Water Supply District Number 2 of
21 Andrew county, which serves approximately 1,300
22 customers in the rural area surrounding St. Joseph.
23 We have intervened in this proceeding, along with
24 two other public water supply districts that serve
25 rural customers in areas outside of St. Joseph.

1 These water districts are not-for-profit
2 political subdivisions. Although these water
3 districts are among Missouri-American Water
4 Company's larger customers, they are, in reality,
5 representatives of their rural residential
6 customers, since any increase in the cost of water
7 must eventually be passed along to the water
8 district's customers.

9 As a result of the Commission's decision in the
10 last Missouri-American Water Company rate case, the
11 water district's rates in the St. Joseph area
12 increased by approximately 233 percent above
13 previously approved rates, or approximately \$1.5
14 million annually. The 233 percent rate increase
15 approved in the last rate case was unprecedented and
16 sheer magnitude and has been difficult for our
17 customers to understand. Although we disagreed with
18 the Commission's three to two vote to abandon single
19 tariff pricing in favor of district specific pricing
20 in the last case, we have decided not to ask the
21 Commission to again reverse its policy on this issue
22 in this case. While we believe it was an
23 unfortunate decision for the majority of the
24 Commissioners to abandon single tariff pricing in
25 favor of district specific pricing, we also believe

1 that the Missouri-American and its customers need to
2 move forward.

3 In this case, we are requesting that the
4 Commission reconsider one aspect of the rate design
5 that was adopted in the last case. Since water
6 districts are essentially wholesale customers, we
7 take our water supply, for the most part, directly
8 from the mains of Missouri-American. The water
9 district themselves provide the distribution system
10 to our customers beyond the Missouri-American
11 meters. Unfortunately, in the last case, we
12 believed too much of Missouri-American Water
13 Company's distribution system was assigned to the
14 water districts. We shouldn't be responsible for
15 paying for Missouri-American Water Company's
16 distribution system that we do not use. Hopefully,
17 this error will be corrected in this case.

18 In this case, we are encouraged by the Staff
19 recommendation to reduce the overall rates of
20 Missouri-American by \$20 million. \$395,000 of the
21 \$20 million rate reduction is being recommended by
22 Staff to reduce the rates of the St. Joseph water
23 districts. This would represent a 19.2 percent rate
24 reduction for the sales for re-sell class as a whole
25 in St. Joseph. While this is certainly a step in

1 the right direction, we would encourage the
2 Commission to do whatever it can to lessen the very
3 large increase that was approved for the water
4 districts in the last rate case.

5 We will also be concerned about changes that
6 are being proposed to the rate structure for the
7 sales for re-sell class in St. Joseph.
8 Missouri-American Water Company's rate structure for
9 our class currently consists of a declining block
10 rate structure. This means there are volume
11 discounts built into the rate structure so that
12 larger users get a volume discount to reflect the
13 economy. The Staff is proposing to eliminate all
14 volume discounts and, instead, replace the declining
15 block rate structure with a flat rate structure.
16 Since the water districts are large volume users, we
17 take much of our water from the last block of the
18 rate schedule. Staff is proposing to increase that
19 last block of the rate structure by 21.03 percent.
20 And I might state that our system presently buys at
21 least 75 percent of its water on that last step.

22 We are currently analyzing the Staff's proposal
23 to determine its impact upon the various water
24 districts in the St. Joseph area. Although Staff is
25 proposing an overall reduction for the sales for

1 re-sell class of 19.1 percent in the St. Joseph
2 district, it is possible that particular water
3 districts might not experience a 19 percent
4 reduction if they use water from the last block
5 where the Staff is proposing a great increase.

6 In conclusion, we would request that the
7 Commission carefully consider the impact of the
8 rates of the changes in rate structure when it
9 decides this case. The water districts in the St.
10 Joseph area have already absorbed an unprecedented
11 increase as a result of the last case. As the
12 Commission reviews the various rate proposals in
13 this case, please keep in mind the 233 percent rate
14 increase that the water districts in St. Joseph have
15 already absorbed as a result of the last rate case.

16 Thank you for giving me the opportunity to
17 express our thoughts on this case. If you have any
18 questions, I'll be happy to answer them.

19 JUDGE THOMPSON: Thank you, Ms. Price.

20 Questions from the bench, Commissioner Gaw?

21 COMMISSIONER GAW: No. But thank you very
22 much, Ms. Price. Your testimony was very clear.

23 JUDGE THOMPSON: Mr. Coffman?

24 MR. COFFMAN: I'd also like to thank you, Ms.

25 Price. I appreciate your testimony. I wanted to

1 ask you a couple of questions. And if these are
2 things that you plan on filing further testimony and
3 writing the Commission later, you can just let me
4 know that.

5 MS. PRICE: Yes. We will be represented in the
6 hearings in Jefferson City and we are preparing
7 testimony.

8 MR. COFFMAN: Great. Can I ask you a little
9 bit about your water district or the water districts
10 that are, I guess, joined in this proceeding, to
11 understand better who you serve, who your end users
12 are. I am assuming that the majority of the water
13 district's customers are residences or farms; is
14 that true?

15 MS. PRICE: Yes, they are. There are
16 residential and agricultural customers, very few
17 businesses. In fact, I don't know of any, you know,
18 large business. There are a few mom and pop
19 operations, but we're just basically residential
20 people.

21 MR. COFFMAN: Do you have a separate rate
22 design within the district for large customers?

23 MS. PRICE: We have a declining rate block,
24 also, and it does help the larger user.

25 MR. COFFMAN: Okay. And when you had to take a

1 230 percent increase from the last case, did you
2 pass that on equally to all the customer classes
3 within the district itself?

4 MS. PRICE: Yes.

5 MR. COFFMAN: Equally?

6 MS. PRICE: We did, according to rate blocks in
7 my system. I can't really speak for the other
8 systems, but I assume they did.

9 MR. COFFMAN: And on this matter where you were
10 concerned that perhaps the water districts are being
11 charged for the distribution system or part of the
12 distribution system that doesn't serve them, is that
13 going to be the subject of your further written
14 testimony later?

15 MS. PRICE: Yes. We will be talking about
16 that. And I think there may have been a
17 misunderstanding. They may have thought that the
18 distribution system was owned by Missouri-American,
19 but we actually have a connection point. We buy it.
20 It's wholesale volume. And then all of the lines,
21 all of the pumping, and all of the personnel billing
22 are done by the water districts themselves.

23 MR. COFFMAN: Well, I'll just wait and read
24 that and read that very closely. Thank you.

25 MS. PRICE: Okay.

1 JUDGE THOMPSON: Further questions from
2 Counsel? There appear to be none.

3 Thank you very much, ma'am. You may step down.
4 Bruce Whitsell.

5

6

7

8 BRUCE WHITSELL, having been first duly sworn, was examined
9 and testified as follows:

10

11 JUDGE THOMPSON: Would you please spell your
12 last name for the reporter?

13 MR. WHITSELL: W-H-I-T-S-E-L-L.

14 JUDGE THOMPSON: Sir, are you presently a
15 customer of Missouri-American Water Company?

16 MR. WHITSELL: Indirectly. I represent a water
17 district east of St. Joe and I am a customer of that
18 district.

19 JUDGE THOMPSON: Very well. Please proceed.

20 MR. WHITSELL: My name is Bruce Whitsell. I'm
21 the President of Public Water Supply District Number
22 1 of DeKalb county, which serves approximately 2,400
23 customers in the rural areas surrounding St. Joseph.
24 We have intervened in this proceeding, along with
25 two other public water districts that serve rural

1 customers in areas outside of St. Joseph.

2 As a result of the Commission's decision in the
3 last Missouri-American Water Company rate case, the
4 water districts rates in the St. Joseph district
5 increased by approximately 233 percent. Given the
6 magnitude of this increase, our water district had
7 no choice but to pass it along, this increase, to
8 our customers. Although we supported the
9 continuation of single tariff pricing in the last
10 case, we do not intend to fight the Commission's
11 change of policy in this case. However, we continue
12 to believe that single tariff pricing would have
13 been a better policy for the entire state of
14 Missouri.

15 In this case, we hope that the Commission will
16 seriously consider its Staff recommendations to
17 lower the overall rates of Missouri-American by \$20
18 million. However, it is disappointing that only
19 \$395,000 of the \$20 million rate reduction is being
20 recommended by Staff to reduce the rates of the St.
21 Joseph water districts. We believe that this case
22 is an excellent opportunity to roll back, to some
23 extent, the huge increase that was approved in the
24 last case for the water districts and their
25 customers.

1 As I mentioned, the Missouri Public Service --
2 the PSC Staff is recommending that the St. Joseph
3 area water district's rates be reduced by
4 approximately \$395,000. While this certainly is a
5 step in the right direction, we would encourage the
6 Commission to do whatever it can to ensure water
7 rates are affordable to our rural customers.

8 We don't believe it is reasonable to give the
9 St. Louis county area an \$18 million rate reduction
10 without doing something to substantially lower the
11 rates in the St. Joseph area, particularly for the
12 water districts that were impacted the most in the
13 last case.

14 In addition, the Staff is proposing to
15 eliminate all volume discounts and, instead, replace
16 the declining block rate structure with a flat rate
17 structure. Since the water districts are large
18 volume users, we take much of our water from the
19 last block of the rate schedule. Unfortunately,
20 Staff is proposing to increase the last block of the
21 rate structure by 21.03 percent. We are currently
22 analyzing the Staff's proposal to determine its
23 impact upon the various water districts in the St.
24 Joseph area.

25 In conclusion, I want to thank the Commission

1 for coming to St. Joseph to hear our concerns. I
2 believe that this case could provide the opportunity
3 to lower the rates in our area. As the Commission
4 considers the various rate proposals in this case, I
5 would respectfully request that the Commission take
6 into account the fact that the water districts in
7 the St. Joseph area have already experienced a huge
8 increase as a result of the last Missouri-American
9 Water Company rate case.

10 Thank you for giving us this opportunity to
11 give you our thoughts on this case.

12 JUDGE THOMPSON: Thank you, sir.

13 Questions from the bench, Commission Gaw?

14 COMMISSIONER GAW: Thank you. Mr. Whitsell, if
15 you know, how much -- what percentage of increase
16 would you say your customers experience on average
17 as a result of that last --

18 MR. WHITSELL: I can tell you my personal bill.

19 COMMISSIONER GAW: If you wish. I'm not asking
20 you to --

21 MR. WHITSELL: I'd be glad to do it.

22 COMMISSIONER GAW: -- disclose anything you
23 don't want to. If you want to, that would be great.

24 MR. WHITSELL: I've got the same amount of
25 livestock that I had previously before the rates

1 went up. On average, oh, \$35 to \$38 a month extra.

2 COMMISSIONER GAW: Okay.

3 MR. WHITSELL: Is what they did to our personal
4 water bill. And the price of livestock and the
5 price of grain has all stayed the same.

6 COMMISSIONER GAW: Hasn't gone in the right
7 direction, has it?

8 MR. WHITSELL: So the profit margin just went
9 down.

10 COMMISSIONER GAW: Thank you.

11 MR. WHITSELL: No place to recoup that.

12 JUDGE THOMPSON: Questions from Counsel? There
13 appear to be none.

14 Thank you, Mr. Whitsell.

15 MR. WHITSELL: Thank you.

16 JUDGE THOMPSON: Larry Burchett.

17

18

19

20 LARRY BURCHETT, having been first duly sworn, was examined
21 and testified as follows:

22

23 JUDGE THOMPSON: Would you please spell your
24 last name for the reporter, sir?

25 MR. BURCHETT: B-U-R-C-H-E-T-T.

1 JUDGE THOMPSON: Mr. Burchett, are you
2 presently a customer of Missouri-American Water
3 Company?

4 MR. BURCHETT: Yes, I am.

5 JUDGE THOMPSON: Please proceed.

6 MR. BURCHETT: My name is Larry Burchett. I'm
7 the corporate purchasing and outsourcing manager for
8 Wire Rope Corporation of America, Incorporated. We
9 are located at 609 North Second Street in St.
10 Joseph. We are a rate payer of Missouri-American
11 Water Company and a member of the St. Joseph Water
12 Rate Coalition. I want to thank the Commissioners
13 for scheduling this public hearing, for traveling to
14 St. Joseph, and for their attention to these
15 important issues.

16 Wire Rope Corporation of American is a
17 manufacturing company that produces high quality
18 wire and wire products. We have been located in St.
19 Joseph since 1948 and employ approximately 440
20 people. Our company has experienced over 130
21 percent rate increase as a result of the 2000 rate
22 case. Because of the significant increase, we
23 oppose any additional increases and support Staff's
24 complaint case that seeks to reduce earnings by over
25 \$20 million. We feel that the Missouri-American

1 Water Company's request for an additional -- for an
2 11.75 to 12 percent rate of return on equity is too
3 high and is not required by a facility that
4 currently has excess capacity. We support the Staff
5 in their recommendation for a decrease in the
6 existing rate and want to argue for a fair rate
7 structure, especially in light of what's happened in
8 the last rate case.

9 Wire Rope Corporation of America is evaluating
10 wells and water conservation efforts, as well, as a
11 result of the previous increase.

12 Wire Rope Corporation emerged from Chapter 11
13 bankruptcy July 1st, 2003 and has been analyzing all
14 costs related to doing business in each of the
15 communities that we manufacture products in. If
16 costs increase significantly, they will impact the
17 St. Joseph facility in both future expansion
18 decisions, as well as future downsizing, since we
19 will operate the most economic facilities and plan
20 our future around them. We do business in both the
21 domestic and international markets and must remain
22 competitive to survive.

23 Thank you for your time.

24 JUDGE THOMPSON: Thank you, Mr. Burchett.

25 Questions from the bench, Commissioner Gaw?

1 COMMISSIONER GAW: Mr. Burchett, can you give
2 me a general idea of how much your increase was, a
3 dollar amount, on an annual basis in the last rate
4 case, if you know.

5 MR. BURCHETT: It was probably in the \$60,000
6 range.

7 COMMISSIONER GAW: That was the net increase
8 you believe?

9 MR. BURCHETT: Uh-huh.

10 COMMISSIONER GAW: Can you give me some idea
11 about what percentage of your overall cost of water
12 is?

13 MR. BURCHETT: Water is not that significant a
14 cost. Our main costs are raw material costs and the
15 like. But what we're finding is, in this community,
16 the electrical and all the utility rates are out of
17 line with the other communities that we participate
18 in. And that's our concern.

19 COMMISSIONER GAW: The overall fixture on
20 utilities is a concern for you?

21 MR. BURCHETT: Yes.

22 COMMISSIONER GAW: So this is a piece of that?

23 MR. BURCHETT: This is a piece of that. And
24 coming out of bankruptcy, we have paid very close
25 attention to all costs. We don't want to go back

1 there again. And we have other manufacturing
2 facilities in three other communities and those
3 rates are, in some cases, fifty percent less than
4 they are in St. Joseph.

5 COMMISSIONER GAW: Okay. Can I ask where those
6 other locations are?

7 MR. BURCHETT: Those are in Chillicothe,
8 Sedalia, Kirksville.

9 COMMISSIONER GAW: So this is primarily a
10 Missouri based company?

11 MR. BURCHETT: Yes, it is.

12 COMMISSIONER GAW: That's what I thought, but I
13 wanted it clarified. Thank you very much.

14 That's all I have, Judge.

15 JUDGE THOMPSON: Thank you, Commissioner.

16 Questions from Counsel? There appear to be
17 none.

18 You may step down, sir.

19 Richard Evers.

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1 RICHARD EVERS, having been first duly sworn, was examined
2 and testified as follows:

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4 JUDGE THOMPSON: Are you presently a customer
5 of Missouri-American Water Company?

6 MR. MR. EVERS: Yes.

7 JUDGE THOMPSON: Please proceed.

8 MR. EVERS: Good afternoon. My name is Richard
9 Evers. I represent Prime Tanning Corporation at 205
10 Florence Road. Prime Tanning is a rate payer of the
11 Missouri-American Water Company and, also, a member
12 of the St. Joseph Water Rate Coalition. I want to
13 thank you for the opportunity to speak before the
14 Commission. And I appreciate you taking the time
15 and making an effort to come to St. Joseph so we can
16 present our case to you on this important issue.

17 Our operation is, as a description of what
18 Prime does, is an initial phase of the preparation
19 of cattle hides in converting hide to leather for
20 shoes, boots, auto and furniture upholstery. The
21 company's been in St. Joseph for over thirty years.
22 We are currently employing approximately 225 people
23 from the St. Joseph community.

24 Those of you who may be familiar with the
25 tanning process know that it requires large volumes

1 of water. We use, primarily, well water where we're
2 able to, but on some of the processes, we need to
3 use water from the Missouri-American Water Company.

4 The 150 percent rate increase we experienced as
5 a result of the 2000 Missouri-American Water Company
6 water rate increase caused us to look carefully at
7 our water usage. In an effort to remain competitive
8 in our industry, we were able to -- through various
9 efforts and initiatives that we instituted, we were
10 able to reduce our water usage from
11 Missouri-American Water Company by fifty percent in
12 the last two years. And with the prospect of
13 additional increases, we've initiated plans for this
14 coming year of trying to find an additional twenty
15 percent reduction in our water usage from
16 Missouri-American Water Company. We've also drilled
17 an additional water well to assure our water supply
18 for the future and lessen our dependence on the
19 industrial water from Missouri-American Water.

20 Prime Tanning, being the single largest
21 producer of tanned cattle hides in the world, has a
22 significant investment in plant and equipment here
23 in St. Joseph. We are committed to St. Joseph for
24 the long term and -- if we can remain profitable.

25 Because of the competitive nature of our business

1 and the distinct advantages of our competition,
2 which many are overseas, we would oppose any further
3 increases and would welcome a reduction in rates.
4 And we support Staff's complaint case that seeks to
5 reduce earnings by over \$20 million.

6 Thank you.

7 JUDGE THOMPSON: Thank you, sir.

8 Questions from the bench, Commissioner Gaw?

9 COMMISSIONER GAW: No, I don't think so. Thank
10 you for coming.

11 JUDGE THOMPSON: Questions from Counsel? There
12 appear to be none.

13 You may step down. Thank you, sir.

14 Bill Carpenter.

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18 BILL CARPENTER, having been first duly sworn, was examined
19 and testified as follows:

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21 JUDGE THOMPSON: Thank you, sir. Are you
22 presently a customer of Missouri-American Water
23 Company?

24 MR. CARPENTER: In a roundabout way. I'm the
25 representative for Andrew County Public Water

COVERING MISSOURI ST. LOUIS TO ST. JOSEPH 1-800-633-8289

1 District Number 1.

2 JUDGE THOMPSON: Very well. Please proceed,
3 sir.

4 MR. CARPENTER: We have three take-off points
5 from which we purchase water from Missouri-American.
6 We purchase as much at one point as possible. If we
7 take the two -- three take-off's, we have -- go
8 through the high steps three times in order to get
9 the cheapest water. The rate that Missouri-American
10 is now asking will increase our cost, most of the
11 time, due to the fact that we have to purchase a
12 large volume of water at the higher rates. We
13 purchased \$19,892,000 gallons of water in September
14 at the cost -- and the cost was \$54,273. Because we
15 had to use three take-off points. If we could
16 purchase the water from one take-off, it would have
17 been \$48,000. If the flat rate that has -- has
18 talked about proposing, it would have reduced it to
19 \$46,000, which would have been a \$2,000 decrease for
20 us. This, in turn, would be able for us to lower
21 our rates to customers.

22 Thank you for your time.

23 JUDGE THOMPSON: Thank you, Mr. Carpenter.

24 Questions from the bench, Commissioner Gaw?

25 COMMISSIONER GAW: No. Thank you for coming,

1 sir.

2 JUDGE THOMPSON: Questions from Counsel? There
3 appear to be none.

4 You may step down. Thank you, sir.

5 Janet Pullee.
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9 JANET PULLEE, having been first duly sworn, was examined
10 and testified as follows:
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12 JUDGE THOMPSON: Would you please spell your
13 last name for the reporter?

14 MS. PULLEE: P-U-L-L-E-E.

15 JUDGE THOMPSON: Ms. Pullee, are you presently
16 a customer of Missouri-American Water Company?

17 MS. PULLEE: Yes, I am.

18 JUDGE THOMPSON: Please proceed.

19 MS. PULLEE: I'm the chief financial officer of
20 the St. Joseph School District. Our administrative
21 office is located at 925 Felix in St. Joseph. We
22 have about thirty buildings, all of which receive
23 water services from Missouri-American in the other
24 public authorities rate class. The school district
25 is a member of the St. Joseph Water Rate Coalition.

1 I'd like to thank you, Commissioner Gaw, for coming
2 this evening and giving us the opportunity to
3 express our concerns.

4 The district was established in 1860. We have
5 over 1,500 employees and serve over 11,500 students.
6 Our water rates rose around 35 percent as a result
7 of the 2000 rate case. We have no alternative
8 sources of water and we don't have any option to
9 relocate. So we're the classic captive customer of
10 a monopoly.

11 As you're probably aware, we're under a severe
12 budget crunch. We'll be deficit spending about
13 \$400,000 this year. And we might be looking at a
14 \$7.5 million deficit for fiscal 2005 if there's no
15 new revenue at the state or local level. Any
16 increase in water rates will cause us to reduce some
17 other expense, which will have an adverse impact on
18 the quality of education that we provide for our
19 children. I'd like to ask you to please look
20 carefully at the rate design. Both the Company's
21 and the Staff's case would actually decrease our
22 rates because of the many locations that we have,
23 which are each treated as a separate company, which
24 means most of our usage is in the first block.

25 Usually, that's a bad thing, because we have a

1 separate customer for each of those locations, but,
2 for once, that might be a positive for us. Please
3 make sure that the rate design that's adopted
4 preserves our rate decrease at this time when we
5 desperately need it.

6 Thank you.

7 JUDGE THOMPSON: Thank you, ma'am.

8 Questions from the bench, Commissioner Gaw?

9 COMMISSIONER GAW: No. Thank you very much.

10 JUDGE THOMPSON: Questions from Counsel? There
11 appear to be none.

12 You may step down. Thank you very much.

13 Melissa Koch.

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17 MELISSA KOCH, having been first duly sworn, was examined
18 and testified as follows:

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20 JUDGE THOMPSON: Would you please spell your
21 last name for the reporter?

22 MS. KOCH: K-O-C-H.

23 JUDGE THOMPSON: Ma'am, are you presently a
24 customer of Missouri-American Water Company?

25 MS. KOCH: Yes, I am.

1 JUDGE THOMPSON: Please proceed.

2 MS. KOCH: I represent the United Way of
3 Greater St. Joseph. We assist in funding 17 local
4 social service agencies in our community, all of
5 which represent a large contingency of need in our
6 community. Missouri-American Water has been a model
7 corporate citizen in support of its community. They
8 contribute in a multitude of ways in a financial
9 sense in helping many agencies in area need, as well
10 as volunteering from their various employees. Thank
11 you for listening. If you have any questions -- and
12 my testimony --

13 JUDGE THOMPSON: Questions from the bench,
14 Commissioner Gaw?

15 COMMISSIONER GAW: Ms. Koch, can you give me an
16 idea about how the proposal in this case would
17 impact some of the groups that you deal with and
18 what kind of an impact you expect in the current
19 times that we're in?

20 MS. KOCH: I'm not sure that I would be
21 qualified to do that at this time. Certainly, if
22 you would need that, we can probably come up with
23 that, but I would need to do some analysis from all
24 of the agencies.

25 COMMISSIONER GAW: That's all right. I just

1 wanted to ask. That's all I have.

2 JUDGE THOMPSON: Questions from Counsel? There
3 appear to be none.

4 You may step down. Thank you, ma'am.

5 The last name on the list -- and I can't
6 decipher -- it looks like Daniel from 2304 South
7 Leonard Road.

8 MR. WATTENBARGER: Could I withdraw my father's
9 name? He had to go for a medical treatment.

10 JUDGE THOMPSON: Very well. Is there anyone
11 present who would like to testify that did not have
12 an opportunity to sign up? Don't be bashful. Step
13 to the podium. I'd be happy to hear what you have
14 to say. It doesn't appear there are any more
15 witnesses at this time.

16 On behalf of the Commission, I'd like to thank
17 you all for coming out this evening and taking time
18 to be here. We're very happy to hear your testimony
19 in this case. And, as I told you earlier, the
20 Commissioners who are not present will be required
21 to read the transcribed version of the testimony of
22 this proceeding.

23 Thank you very much. We are adjourned at this
24 time. Thank you.

25 (Hearing concluded at 6:30 p.m.)