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STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION  
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TRANSCRIPT OF PROCEEDINGS  
Public Hearing  
December 3, 2003  
St. Charles, Missouri  
Volume 10  
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In the Matter of                    )  
Missouri-American Water        )  
Company's Tariff to            ) Case No. WR-2003-0500  
Revise Water and Sewer        )  
Rate Schedules                 )

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RONALD PRIDGIN, Presiding,  
DEPUTY CHIEF REGULATORY LAW JUDGE  
  
CONNIE MURRAY,  
BRYAN FORBIS,  
  
COMMISSIONERS.  
-----

REPORTED BY:  
Brad Mowrer, RPR  
Taylor & Associates  
1014 Lami  
St. Louis, MO 63104  
(314) 644-2191  
1-800-280-DEPO

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APPEARANCES:

Missouri Public Service Commission:  
Cliff Snodgrass  
Governor Office Bldg., Suite 800  
200 Madison St., P.O. Box 360  
Jefferson City, MO 65102-0360

Office of the Public Counsel:  
M. Ruth O'Neill  
Department of Economic Development  
Governor Office Building, Suite 650  
200 Madison Street  
P.O. Box 2230  
Jefferson City, MO 65102

Missouri-American Water Company:  
Richard T. Ciottone  
Brydon, Swearngen & England, P.C.  
312 East Capitol Ave.  
Box 456  
Jefferson City, MO 65102  
and  
David P. Abernathy  
American Water  
535 North New Ballas Road  
St. Louis, MO 63141-6875

Witnesses:

Eugene Pepper  
159 Cedarmill Court  
St. Charles County, Missouri 63304

Chet Boeke  
3114 Arrow Rock Drive  
St. Charles, Missouri 63303

1                   JUDGE PRIDGIN: Good afternoon. The  
2 Missouri Public Service Commission has set this  
3 time for a local hearing in the matter of  
4 Missouri-American Water Company's Tariffs to Revise  
5 Water and Sewer Rate Schedules in Case No.  
6 WR-2003-0500 in which Missouri-American Water  
7 Company seeks a general water rate increase.  
8                   Specifically, Missouri-American's  
9 proposed water service tariffs are designed to  
10 produce an annual increase of approximately 12.2  
11 percent or 20 million dollars in the company's  
12 water service revenues and 3.3 percent or \$1,637 in  
13 the company's sewer service revenues.  
14 Additionally, the Commission staff has recently  
15 filed an overearnings complaint against the  
16 company, which charges that the company is earning  
17 about 20 million dollars more than it should with  
18 its current rates.  
19                   The Missouri Public Service Commission  
20 regulates the rates charged by investor owned  
21 utility companies in Missouri to insure that those  
22 rates are just and reasonable. The Commission also  
23 regulates the quality of service and safety of the  
24 operations of investor owned utilities. The  
25 Commission is made up of five commissioners, two of

1   whom are here today. The commissioners are  
2   appointed by the governor to fix terms and  
3   confirmed by the Senate. The commissioners employ  
4   a staff of engineers, accountants, attorneys,  
5   financial analysts, and other specialists in the  
6   field of utility regulation.

7               I'm Ron Pridgin. I am a regulatory law  
8   judge for the Missouri Public Service Commission,  
9   and I will preside over this afternoon's hearing.  
10   With me this afternoon are, to my left,  
11   Commissioner Connie Murray and Commissioner Bryan  
12   Forbis to my right.

13              This is an official hearing of the  
14   Missouri Public Service Commission, and the  
15   statements and testimony of witnesses will be  
16   recorded by the court reporter and must be given  
17   under oath. All of the commissioners will have a  
18   chance to read all of your remarks. In addition to  
19   today's hearing, nine other local public hearings  
20   are being held in this case in other areas of the  
21   state.

22              Also, a trial type evidentiary hearing  
23   will be held beginning on December 15th, 2003,  
24   starting at 9 a.m. at the Commission offices at the  
25   Governor Office Building in Jefferson City,

1 Missouri. That hearing will be open to the public,  
2 and the company will have the burden of showing  
3 that the proposed rate increase is necessary. The  
4 parties will present their witnesses for and  
5 against the proposed rate increase at that time,  
6 and the staff's overearnings complaint will be  
7 tried at the same time.

8           The purpose of the hearing today is to  
9 hear from you on the subject of the proposed rate  
10 increase. The company will not present witnesses  
11 and will not answer questions. This is your chance  
12 to testify, and your remarks will be made a part of  
13 the official record of this case.

14           I will call the name of each witness who  
15 is signed up to speak. I will call you in the  
16 order in which you signed up. When your name is  
17 called, please come forward to the podium here. I  
18 will then place you under oath. I will ask you a  
19 few preliminary questions, including how to spell  
20 your name for the court reporter. You will then  
21 have a chance to make your statement. There then  
22 may be questions from counsel, from the  
23 commissioners, or from myself. Please do not leave  
24 the podium until you're excused.

25           There may be somebody who wished to

1     testify but, because of religious beliefs, cannot  
2     take an oath.  If so, please indicate that when you  
3     are asked to be sworn so that you may be affirmed  
4     instead.

5                 Does anyone have any questions about the  
6     procedure we will follow?

7                 Seeing none, we will then begin the  
8     public hearing on Case No. WR-2003-0500 in the  
9     matter of Missouri-American Water Company's Tariffs  
10    to Revise Water and Sewer Rate Schedules.

11                Will counsel make their entries of  
12    appearance, please, beginning with staff?

13                MR. SNODGRASS:  Yes.  Good afternoon,  
14    Judge.  My name is Cliff Snodgrass.  I'm here  
15    representing the interests of the Missouri Public  
16    Service Commission staff today.

17                JUDGE PRIDGIN:  Mr. Snodgrass, thank  
18    you.

19                On behalf of the Office of Public  
20    Counsel, please.

21                MS. O'NEILL:  Yes.  Good afternoon.  Ruth  
22    O'Neill for the Office of Public Counsel and the  
23    public.

24                JUDGE PRIDGIN:  Ms. O'Neill, thank you.

25                On behalf of Missouri-American Water

1 Company, please.

2 MR. CIOTTONE: Your Honor, I'm Richard T.  
3 Ciottone, associated with the firm Brydon,  
4 Swearengen & England in Jefferson City, and my  
5 co-counsel is David Abernathy. He's vice president  
6 and corporate counsel of the company.

7 JUDGE PRIDGIN: Thank you very much, sir.

8 Any counsel here on behalf of any of the  
9 interveners?

10 All right. Seeing none, I will then call  
11 the first witness. I see that first witness to be  
12 called is Gene Pepper. Am I reading that name  
13 correctly?

14 MR. PEPPER: Yes.

15 JUDGE PRIDGIN: All right. Thank you,  
16 sir. If you would, please, approach the podium,  
17 sir.

18 MR. PEPPER: Good afternoon.

19 JUDGE PRIDGIN: Good afternoon, sir. If  
20 I could ask you to raise your right hand to be  
21 sworn, please.

22 Do you swear the evidence you're about to  
23 give will be the truth, the whole truth, and  
24 nothing but the truth, so help you God?

25 MR. PEPPER: I do.

1 JUDGE PRIDGIN: Thank you very much,  
2 sir. If you would, please state your name for the  
3 record and spell your last name.

4 MR. PEPPER: Eugene, E-u-g-e-n-e. And  
5 Pepper, P-e - double p - e-r. I'm on everybody's  
6 table. And I live at 159 Cedarmill Court, St.  
7 Charles County, Missouri 63304.

8 JUDGE PRIDGIN: And are you a customer of  
9 Missouri-American Water Company?

10 MR. PEPPER: Yes, I am.

11 JUDGE PRIDGIN: All right, sir. Any  
12 statement you'd like to make?

13 MR. PEPPER: Well, I'm here in objection  
14 to this increase that the water company wants.  
15 Basically I'm here representing the retired  
16 community in St. Charles County, for those who  
17 can't be here.

18 I'm retired and my income is pretty well  
19 set. And these things -- the increases that I get  
20 keep going up. My taxes went from \$700 a year -- I  
21 wrote a check yesterday for 2400 since I moved out  
22 here. So I have no way to replace that kind of  
23 dollars. I have no way to replace the 2 percent  
24 that I lose on my income with the rate of inflation  
25 every year.



1                   So these increases -- these companies --  
2   it's always they want an increase. I think that  
3   the Missouri-American Water Company is doing  
4   sufficiently well in the nine districts that they  
5   are proprietors of. So I don't feel that they  
6   really need a 12 plus percent increase in their  
7   gross revenues. That's, based on 2 percent, six  
8   times the rate of inflation. Based on 3 percent  
9   that's, you know, less. So I just can't -- I just  
10  can't see it. I don't see why they have to have  
11  it.

12                   I'm 76 years old. I'm in the  
13  over-the-hill gang, you know, and I'm -- I'm where  
14  I am today. But if I keep getting these increases  
15  and everything, I'm going to be -- I'm going to  
16  have problems down the line, because -- as others  
17  retirees will have. So I think that on the basis  
18  of what they want and what they say they need, I  
19  think it's just a little bit overzealous on their  
20  part.

21                   I think that what they're -- what they  
22  are getting, based on the return that they're  
23  stating -- I believe they get about a 9-1/2 percent  
24  return on their equity here in the state. I think  
25  that that's doing good. My father was in

1 business. He would have loved to have a 9 percent  
2 return on equity but never got that kind anytime.

3 So all in all, I'm here as a citizen, as  
4 a consumer, and as a person speaking for myself and  
5 other retirees who can't get here for other reasons  
6 that -- that sounds like the old song, well, the  
7 retirees. Well, we are retired and we are on a  
8 limited income, and I think that those are things  
9 that have to be considered for people.

10 So I ask the Commission, in being here,  
11 that they look at this and consider the financial  
12 standing of the company, the good financial  
13 standing that the company has, and that they are  
14 doing well in this area and that their rates --  
15 that they just don't get this rate increase.  
16 That's why I'm here.

17 JUDGE PRIDGIN: Mr. Pepper, thank you  
18 very much. Let me see if we have any clarifying  
19 questions. Do we have any questions from counsel?

20 MS. O'NEILL: No, Your Honor.

21 MR. SNODGRASS: None from staff.

22 MR. CIOTTONE: No questions.

23 JUDGE PRIDGIN: All right. Thank you  
24 very much.

25 From the Commission. Commissioner

1 Murray, any questions?

2 MS. MURRAY: No questions. Thank you.

3 JUDGE PRIDGIN: Mr. Forbis?

4 MR. FORBIS: Thank you for coming.

5 JUDGE PRIDGIN: Mr. Pepper, I don't have  
6 any questions either. Thank you very much for your  
7 time and your remarks. We appreciate it.

8 MR. PEPPER: Thank you for your time. I  
9 appreciate it.

10 JUDGE PRIDGIN: You're welcome, sir.

11 All right. I see the next witness. And  
12 I apologize if I mispronounce their name. Is it  
13 Chet Boeke?

14 MR. BOEKE: Yes, it is.

15 JUDGE PRIDGIN: All right. Very good.

16 Sir, if you would, please, come to the  
17 podium.

18 Did I pronounce that correctly, sir?

19 MR. BOEKE: You did, sir.

20 JUDGE PRIDGIN: All right. Thank you.

21 If you would, sir, please raise your  
22 right hand to be sworn.

23 Do you swear the evidence you are about  
24 to give will be the truth, the whole truth, and  
25 nothing but the truth, so help you God?

1                   MR. BOEKE: Absolutely I do.

2                   JUDGE PRIDGIN: Thank you very much.

3                   Sir, if you would, please state your name

4 for the record, and spell your last name, please.

5                   MR. BOEKE: My name is Chet, C-h-e-t,

6 Boeke, B-o-e-k-e. Address is 3114 Arrow Rock, like

7 the spelling of arrow, St. Charles, Missouri 63303.

8                   JUDGE PRIDGIN: And are you a customer of

9 Missouri-American Water Company?

10                  MR. BOEKE: Yes, I am.

11                  JUDGE PRIDGIN: Any statements you have

12 for the Commission, sir?

13                  MR. BOEKE: I'm here today to represent

14 numerous individuals in my subdivision; many of

15 these individuals being retired also.

16                  I'd like to introduce and reference one

17 thing back to the Post-Dispatch article of Sunday,

18 November the 23rd, 2003. On that particular day I

19 read this article about the American Water

20 Company. Come to find out that -- it doesn't

21 matter, but it's a German based and owned company.

22 I know they recently bought the larger company, St.

23 Louis County Water Company, which I was kind of

24 surprised at the time; I thought the smaller outfit

25 buying the larger one. And I also used to live in

1 St. Louis County, and I realized that has a lot of  
2 old piping and infrastructure and may eventually  
3 create a lot of costs for the company.

4 But, you know, I'm a small businessman,  
5 and naturally I look at costs, current and future  
6 costs. And I didn't know if that was a wise move,  
7 but it wasn't certainly my job to really worry  
8 about their acquiring other companies. But having  
9 been in the world a few years, danced on the face  
10 of this world, I realized that, you know, naturally  
11 there's always some way to come back and bite you  
12 sooner or later, including in their situation.

13 It doesn't look like much when you see a  
14 12.2. That was the letter I got from the water  
15 company, a potential 12.2 increase. Post-Dispatch  
16 had that they was going to increase 10.75. No.  
17 Wait. I'm sorry.

18 They wanted a larger increase anyway.  
19 The point being, everything's increasing day by  
20 day, week by week, month by month, and it does add  
21 up. All this pay adds up. You know, I wish the  
22 government would learn this. Businesses generally  
23 have different -- limited to recoup their money.  
24 Fortunately in Missouri we have public counsel and  
25 other entities that hopefully watch and ride the

1 waves so they don't get too tall.

2           The problem I see here -- I'm a small  
3 water user. I know we have businesses out here  
4 that have high uses. And if I'm not incorrect, my  
5 past knowledge, high users of water being large  
6 companies, say plating companies or things of this  
7 nature, would use a lot of water. Therefore,  
8 they're subsidized, I think, by the smaller  
9 people. They get a quite a bit lower rate for  
10 1,000 or however many cubic feet of water you use.

11           I adamantly oppose this on the basis that  
12 we're at about a 2 percent cost inflation in this  
13 country right now. I think 12 percent -- 12.2 is  
14 way too much. I think half of that is way too  
15 much. And I believe that the company return, as I  
16 read in the Post-Dispatch article, has about a 10.3  
17 percent profit margin. I think that's pretty  
18 sufficient, because when you add it up to the  
19 number of customers and their new inquiries --  
20 acquisitions -- I'm sorry -- I think they're doing  
21 very well. I think anything over about a 3 percent  
22 increase would be abusive to the customer.

23           I might add, it doesn't hurt to try. I  
24 was a union negotiator at times. And obviously you  
25 ask for twice as much and hope for half as much,

1 and whatever you settle out is, you know, the way  
2 business usually goes. But I'll submit to you that  
3 this is unnecessary. They haven't proven it to  
4 me. I think they need to look at a step plan for  
5 higher users of water and charge them what they  
6 should charge them all along. I think they've been  
7 carrying them, having a break for quite some time.

8 In closing off, I adamantly stand on the  
9 position that I feel that they don't need this type  
10 of increase. Everybody wants an increase. Maybe  
11 needs an increase. At this point I feel that they  
12 need to review and justify to the public counsel  
13 and the Commission what really is needed. It looks  
14 like to me it might be a decrease. And nobody ever  
15 wants to hear that. You know, I don't want to hear  
16 it. But, you know, I can't charge my customers --  
17 if I made a mistake on the last job, I can't charge  
18 them more on their job to make up for it.

19 You know, I don't know if their  
20 infrastructure in St. Louis County is a situation  
21 where they didn't anticipate the kind of costs  
22 they're going to have. But according to the  
23 article, you know, we've got an acquisition  
24 adjustment now that apparently became law last year  
25 in the state of Missouri. In the paper the article

1 says that St. Louis County and the St. Louis area  
2 is going to get an especially large increase.  
3 Well, that's for them to come out and fight, you  
4 know. Somehow we shouldn't have to --  
5 I'll try to close this off, but we  
6 shouldn't have to subsidize it. Two years ago I  
7 was here. I was one of the lead speakers  
8 downstairs. I believe it was approximately two  
9 years ago. We had 3 to 400 people show up. They  
10 were asking for an astronomical -- astronomical  
11 increase. I don't recall what it was. It should  
12 have stuck in my mind, but it didn't. But we were  
13 down there for hours. You know, there's not many  
14 people here today because it's 12 o'clock. But I  
15 assure you, I think the interest is here in St.  
16 Charles County. It was at the last -- two years  
17 ago, last hearing.  
18 And what we come to find out is they was  
19 wanting to charge us, in St. Charles County,  
20 basically, customers, to build some out state -- I  
21 think St. Joseph water infrastructure or something  
22 out there. I mean, this -- it can't work that  
23 way. We use it here. Let's do it here, the cost  
24 of what it costs here.  
25 So therefore, I feel that we need to



1 absolutely contain this, review it, and come down  
2 to an absolute true cost and profit. Thank you.

3 JUDGE PRIDGIN: Mr. Boeke, thank you very  
4 much for your remarks. Let me see if we have,  
5 first, any clarifying questions from counsel.

6 MS. O'NEILL: No, Your Honor.

7 MR. SNODGRASS: None from staff, Judge.

8 JUDGE PRIDGIN: All right.

9 MR. CIOTTONE: No questions.

10 JUDGE PRIDGIN: Thank you very much. Let  
11 me see if we have any questions from the  
12 Commission. Commissioner Murray?

13 MS. MURRAY: Mr. Boeke, as a former  
14 colleague of mine in the House of Representatives,  
15 it's good to see you again.

16 MR. BOEKE: I recognized you.

17 MS. MURRAY: I wanted to ask you, are you  
18 a business -- small business customer of  
19 Missouri-American Water?

20 MR. BOEKE: No. I'm a small  
21 businessman. I'm just trying to refer my business  
22 concepts to a larger business concept as far as  
23 profitability.

24 MS. MURRAY: Okay. So you --

25 MR. BOEKE: Because I have to be

1 competitive. You know, I have competitors out  
2 there in my type of business, and I have to review  
3 their charges every year, so I -- you know, and  
4 keep a -- maintain a certain amount of business.  
5 But, you know, we have telephone company, electric,  
6 water, and so on and so forth, you know, sewers.  
7 You know, I bring somewhat, I feel, bitter  
8 experiences with me to St. Charles County -- I've  
9 lived out here a number of years -- from St. Louis  
10 County where MSD wasn't checked and balanced  
11 properly. And I can assure you, them people should  
12 have been looked at criminally, in my opinion, for  
13 what they were doing, the way they mismanaged their  
14 money over there. Of course I'm not inferring or  
15 referring that to this company, because I think  
16 it's probably a pretty well run company.

17 MS. MURRAY: But you are -- you are a  
18 customer as a residential customer?

19 MR. BOEKE: Yes.

20 MS. MURRAY: Okay. And I think I heard  
21 you say that you recommend or prefer a rate design  
22 that charges more as the usage goes up; is that  
23 correct?

24 MR. BOEKE: For the large companies.  
25 Like plating companies and stuff run water 24 hours

1 a day, and they get a break. You know, I  
2 understand volume in some businesses usually gets a  
3 lower rate, because they probably couldn't stay in  
4 business maybe, I'm assuming, if they had the same  
5 rate. But you can't keep subsidizing certain  
6 entities. And maybe that needs to be reviewed.  
7 You know, we're becoming a larger industrial area  
8 out here. I don't know how much water usage would  
9 be connected to that, but, you know, just as an  
10 idea.

11 Like I said, a plating company or  
12 something that runs water very continuous, you  
13 know, uses large volumes of water. They obviously  
14 get it considerably cheaper. I mean, I notice when  
15 I water my grass just normally and reasonably, the  
16 water then peaks up pretty considerable. I'm  
17 talking about not day and night. I'm talking a few  
18 hours here and there.

19 MS. MURRAY: Thank you.

20 MR. BOEKE: You're welcome.

21 JUDGE PRIDGIN: Ms. Murray, thank you.

22 Commissioner Forbis?

23 MR. FORBIS: Okay. I want to focus just  
24 on one thing you said. You mentioned that you  
25 thought anything over a 3 percent increase would be

1 excessive. I heard you say that. Are you talking  
2 about a 3 percent increase in the monthly bill, not  
3 --

4 MR. BOEKE: Correct.

5 MR. FORBIS: Okay. A 3 percent increase  
6 in the amount that you're charged every month?

7 MR. BOEKE: Well, I believe the 12.6  
8 percent or anywhere near that is really ridiculous,  
9 even though it sounds a reasonably good package.  
10 When you say it's only like 1.78 an average  
11 customer, that doesn't sound like much. But, you  
12 know, just like I told these people recently, the  
13 cell phone company now, when I send a check in to  
14 them, charges an extra 90 cents to wire my check  
15 in. Now that's something new that I'm looking at,  
16 too. You know, 90 cents times several million  
17 customers adds up to some real profitability. And  
18 I'm afraid other utilities might start going by  
19 that, charging users to send a check in to pay the  
20 bill.

21 MR. FORBIS: I'm just curious, just for  
22 my own benefit, have you been pretty pleased with  
23 the -- you kind of alluded to earlier the quality  
24 of service. Do you have any issues, customer  
25 service or otherwise, with the company?

1                   MR. BOEKE:  No.

2                   MR. FORBIS:  Okay.

3                   MR. BOEKE:  You know, they -- they've

4  recently -- I understand that they've been

5  upgrading our systems out here, which I'm not aware

6  of.  But our systems are getting older.  I know one

7  thing they are starting to offer, which people

8  should possibly consider, would be insurance.  You

9  know, the main that goes right between your house.

10  Because I'm sure after something gets 30 or 40

11  years old like that, it could be 3 or \$4,000.  And

12  it's something that they have pushed.  And I don't

13  know what the profitability would be on that, but,

14  you know, you've got to look at the overall

15  profitability and not try to get it in just one

16  area.

17                  MR. FORBIS:  All right.  Thank you.

18                  MR. BOEKE:  You're welcome.

19                  JUDGE PRIDGIN:  Mr. Boeke, thank you very

20  much for your time and your remarks today.

21                  MR. BOEKE:  Thank you.

22                  JUDGE PRIDGIN:  We appreciate it.

23                  I don't see any other witnesses signed

24  up.  Is there anyone else who wishes to testify?

25                  All right.  I see no volunteers.

