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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application)
Of Missouri-American Water) Case No. WO-2004-0116
Company for Approval to Establish)
An Infrastructure System)
Replacement Surcharge (ISRS))

PREHEARING CONFERENCE
Volume 2
Wednesday, November 19, 2003
Governor Office Building
200 Madison Street
Jefferson City, Missouri 65101

MORRIS L. WOODRUFF, Presiding,
REGULATORY LAW JUDGE

REPORTED BY:

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1 APPEARANCES:

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6 AND

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12 FOR: Missouri-American Water Company.

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17 FOR: Missouri Energy Group.

18 DIANA VUYLSTEKE, Attorney at Law
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22 FOR: Missouri Industrial Energy Consumers.

23 KEITH R. KRUEGER, Deputy General Counsel
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1 P R O C E E D I N G S

2 RLJ WOODRUFF: This is the prehearing
3 conference in Case No. WO-2004-0116.

4 And we'll begin by taking entries of appearance
5 from Missouri American.

6 MR. ENGLAND: Thank you, Your Honor.

7 Let the record reflect the appearance of
8 W. R. England and David Abernathy on behalf of the
9 applicant, Missouri-American Water Company.

10 RLJ WOODRUFF: And for Staff.

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

14 RLJ WOODRUFF: Public Counsel.

15 MS. O'NEILL: Good morning, Judge.

16 Ruth O'Neill for the Office of the Public
17 Counsel. Our mailing address is P. O. Box 2230,
18 Jefferson City, Missouri 65102.

19 RLJ WOODRUFF: And for Missouri Energy Group.

20 MS. LANGENDECKERT: Lisa Langendeckert
21 representing the Missouri Energy Group. Address is
22 720 Olive Street, 24th Floor, St. Louis, Missouri 63101.

23 And I'd also like to enter the appearance of
24 Robert Johnson.

25 RLJ WOODRUFF: And is Mr. Johnson there with

1 you?

2 MS. LANGENDECKERT: He is not with me
3 presently, but he will also be participating in this
4 case.

5 RLJ WOODRUFF: Okay.

6 Just so the record is clear, Ms. Langendekert
7 is participating by telephone today and is not currently
8 in the room, so the record is clear on that.

9 For Missouri Industrial Energy Consumers.

10 MS. VUYLSTEKE: Diana Vuylsteke of the firm
11 Bryan Cave LLC, 211 North Broadway, Suite 3600,
12 St. Louis, Missouri 63102, also participating by
13 telephone.

14 RLJ WOODRUFF: Thank you.

15 All right. I believe that is all of the
16 parties.

17 I called you all today to come in today on
18 short notice because we do have what, according to the
19 schedule, is an on-the-record presentation scheduled for
20 Friday. And as this case has developed, it's become
21 apparent that there are significant disagreements amongst
22 the parties as to the amount that Missouri-American
23 should be allowed to establish for their infrastructure
24 system replacement surcharge. They are about \$2 million
25 apart, I believe.

1 Therefore, it appears that the Commission is
2 going to have to be issuing what is, in essence, a report
3 and order on this case, and so that that on-the-record
4 presentation is going to take on more of the
5 characteristics of a full-blown hearing.

6 So I wanted to come in today so we can discuss
7 exactly how we're going to need to proceed on Friday, who
8 witnesses will be and so forth.

9 Of course, the Commission needs to have
10 sufficient law and facts in order to make a decision, and
11 from my perspective, I need to have sufficient law and
12 facts in order to write a decision that may have to stand
13 up to appeal to a higher court.

14 So I'm going to start by asking Missouri-
15 American to explain what witnesses they anticipate having
16 on Friday and what they're going to be addressing.

17 MR. ENGLAND: Your Honor, you've answered one
18 of the questions I was going to pose to you, and that is,
19 you do anticipate taking evidence and having witnesses on
20 Friday?

21 RLJ WOODRUFF: I believe that will be
22 necessary, yes.

23 MR. ENGLAND: If that's the case, I think we
24 would probably utilize Mr. Ed Grubb as our witness. I'm
25 not aware of anyone else that would be our witness at

1 this time.

2 Although there doesn't appear to be an issue
3 with respect to the prudence of the investments, but if
4 there is some questions regarding the investments
5 themselves, we might have to bring Mr. Frank Kartmann in.
6 Hopefully, we'll determine that in the context of the
7 prehearing conference today.

8 RLJ WOODRUFF: That was Kartmann?

9 MR. ENGLAND: K-a-r-t-m-a-n-n.

10 RLJ WOODRUFF: Now, one thing I've noticed
11 that's not really been discussed by anybody in the
12 various reports that have been filed is exactly what
13 these investments are.

14 And that's something Mr. Kartmann would have to
15 address? Not necessarily whether or not there is an
16 issue of their prudence, just to what they are, so I have
17 some facts to put in my report and order.

18 MR. ENGLAND: They are explained in the
19 verified application, which we would anticipate making an
20 exhibit for purposes of this case.

21 Generally they fall into two categories: the
22 infrastructure replacements themselves, and as I
23 understand, facility relocations caused by governmental
24 bodies such as the Highway Department, those two general.

25 Now, the specific items are actually listed in

1 the attachments to the verified application.

2 RLJ WOODRUFF: Okay. All right.

3 And what is Mr. Grubb's title?

4 MR. ENGLAND: I'll let you know in just a

5 second.

6 Director of Rates and Revenues.

7 RLJ WOODRUFF: Okay.

8 Is that Mr. Grubb back there?

9 MR. ENGLAND: That's correct.

10 MR. GRUBB: Yes.

11 RLJ WOODRUFF: Good morning, sir.

12 And he would be able to address the issues that

13 have been raised by the other parties?

14 MR. ENGLAND: We anticipate so, yes, at least

15 the issues that have been identified in the preliminary

16 list of issues that were filed yesterday.

17 RLJ WOODRUFF: Okay.

18 All right. Anything else you want to add,

19 Mr. England?

20 MR. ENGLAND: I don't think so.

21 Thank you.

22 RLJ WOODRUFF: Okay. Move over to Staff then.

23 MR. KRUEGER: I think, Your Honor -- I believe

24 that the Staff's only witness would be Steve Rackers.

25 It's possible that Dale Johansen may also testify, but I

1 think it will probably only be Mr. Rackers.

2 RLJ WOODRUFF: And Mr. Rackers is the Staff
3 person that prepared these reports that the Staff has
4 filed?

5 MR. KRUEGER: Yes, he is.

6 RLJ WOODRUFF: Okay.

7 And if Mr. Johansen were to testify, what would
8 he address?

9 MR. KRUEGER: Right now I can't anticipate
10 anything other than possibly the nature of the
11 infrastructure system replacements and whether they
12 qualify, possibly also rate design.

13 RLJ WOODRUFF: Okay.

14 Is that an issue in this case at this point?

15 MR. KRUEGER: Well, there is -- I believe there
16 is still a question about whether the surcharge should be
17 applied only to usage or whether it should be based on
18 usage and the customer service as well.

19 RLJ WOODRUFF: Okay.

20 And for Public Counsel.

21 MS. O'NEILL: We will not have any witnesses.

22 RLJ WOODRUFF: Okay.

23 And for the Missouri Energy Group?

24 MS. LANGENDECKERT: Billie LaConte from the
25 organization of Drazen Consulting will be there on Friday

1 and will answer any questions relating to our response to
2 the Staff's -- the MAWC reply of the Missouri-American
3 Water request.

4 RLJ WOODRUFF: Okay.

5 And for the Missouri Industrial Energy
6 Consumers.

7 MS. VUYLSTEKE: We will have Mike Gorman from
8 the firm of Brubaker & Associates as our witness, and he
9 will testify.

10 RLJ WOODRUFF: What was that name again?

11 MS. VUYLSTEKE: Mike Gorman, G-o-r-m-a-n.

12 MS. WOODRUFF: Okay.

13 And what is his specialty?

14 MS. VUYLSTEKE: He is a consultant in the area
15 of utility rate design and regulation.

16 RLJ WOODRUFF: Okay.

17 MS. VUYLSTEKE: Is that what you asked, what
18 his specialty was?

19 RLJ WOODRUFF: Yes, that's what I asked.

20 MS. VUYLSTEKE: Sorry.

21 RLJ WOODRUFF: Now, it appears based on the
22 list of issues that was filed yesterday, that these
23 issues tend to be based on interpretation of the recently
24 passed statute.

25 Is that what everyone would agree upon?

1 MR. ENGLAND: Correct.

2 MS. O'NEILL: Yes, I think so.

3 MR. KRUEGER: Yes, I believe so.

4 MS. LANGENDECKERT: Yes, Your Honor.

5 RLJ WOODRUFF: Are there any factual issues

6 that need to be resolved by the Commission?

7 MR. ENGLAND: It's difficult to say,

8 Your Honor. I think a lot of it may be more

9 interpretive, but maybe we can flush that out further in

10 the prehearing conference this morning.

11 RLJ WOODRUFF: Okay.

12 I would certainly appreciate that if you could.

13 I will expect you to discuss this today, as

14 Mr. England indicated, to possibly flush out some issues

15 here, maybe resolve some things.

16 I'm going to ask you to give me a report when

17 you've completed that. We won't do that on the record.

18 But if you want to hand write out something and bring it

19 up to me.

20 MR. ENGLAND: Okay.

21 RLJ WOODRUFF: It does not need to be filed

22 officially with the Commission. Just get it to me, and

23 that way I can pass it on to the Commissioners tomorrow

24 in agenda.

25 Any other matters that anyone wants to take up

1 while we're on the record?

2 MR. KRUEGER: I guess I'm maybe interested in
3 knowing what you anticipate as the procedure that will be
4 followed.

5 I assumed that the Company's witnesses will
6 testify first, followed by the usual cross-examination
7 and then --

8 RLJ WOODRUFF: -- questions from the Bench,
9 yes.

10 I would anticipate it would be as you
11 indicated, the Company witnesses go first, followed by
12 Staff, Public Counsel and the interveners.

13 If you want to do it in a different order than
14 that, just let me know.

15 MR. ENGLAND: Your Honor, I have no problem
16 with that order, but I would like the opportunity to
17 close --

18 RLJ WOODRUFF: Sure.

19 MR. ENGLAND: -- depending on the testimony
20 that is elicited from the closing witnesses.

21 RLJ WOODRUFF: And I would anticipate that the
22 parties would offer opening statements, and I think
23 probably closing statements would be appropriate as well.

24 We can discuss this more on Friday after we see
25 how things go, but I'm going to anticipate at least one

1 round of briefs, probably only one, and for that reason I
2 think a closing statement would be helpful for all of the
3 parties, to be sure of what positions the parties are
4 taking for the hearing. And, you know, we'll finalize
5 that on Friday.

6 Any other matters that anyone wants to bring
7 up?

8 All right.

9 With that, then, the on-the-record portion of
10 this prehearing conference is adjourned.

11 Thank you all very much.

12 WHEREUPON, the on-the-record portion of the
13 Prehearing Conference was concluded.

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