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6 ELECTRIC UTILITY FUEL AND PURCHASED POWER PUBLIC HEARING

7 MISSOURI PUBLIC SERVICE COMMISSION

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12 AUGUST 29, 2006

13 SOUTHEAST MISSOURI UNIVERSITY

14 JOHN GLENN AUDITORIUM, DEMPSTER HALL

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16 Reported by: Erikia Davis

17 Midwest Litigation Services

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1 PROCEEDINGS

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3 JUDGE DALE: Good evening. My name is
4 Colleen Dale. I'm the presiding officer in this matter.
5 On August 29th, 2006, we're having a local public
6 hearing in Cape Girardeau, in the matter of proposed
7 rule regarding electric utility fuel and purchase power
8 cost recovery mechanism, case No. EX2006-0472,
9 particularly proposal of new rules 4CSR240-3.161 and
10 4CSR-250-20.090. This evening we will be receiving both
11 comments and testimony. If you wish to testify, you'll
12 be sworn in. But if you wish to make comments, you may
13 simply begin to speak and come forward, have your names
14 called by Mr. Ocho. After everyone who has signed up
15 has had an opportunity to speak, I will ask if anyone
16 else would like to speak. Please keep in mind that this
17 is about the fuel adjustment clause only. It's not
18 about any rate case presently before the commission or
19 any matter under investigation of the commission. So
20 with that, I will ask that Mr. Ocho bring the first
21 person.

22 MR. OCHO: The first witness is Bill
23 Hinckley.

24 JUDGE DALE: Mr. Hinckley, do you wish to
25 testify or just provide comments?

1 MR. HINCKLEY: Provide comments.

2 JUDGE DALE: Please proceed.

3 MR. HINCKLEY: Good evening members of the
4 Missouri Public Service Commission. My name is Bill
5 Hinckley. I'm a resident of Cape Girardeau, Missouri.
6 I thank you for allowing me to speak. I'm here to voice
7 my concern and objection over the fuel adjustment
8 surcharge that is being requested by the utilities. I
9 am here not only as an individual citizen who is worried
10 about his home electricity bill, but also as a plant
11 manager of local company, Biokyowa, which paid over one
12 and three-quarter million dollars for electricity last
13 year.

14 Let me begin by stating that the legislation
15 enacted in 2005 permitting the surcharge does not
16 require the PSC to allow such surcharges. Most
17 certainly, it neither allows nor guarantees the
18 utilities the surcharge. Rather, it only allows the PSC
19 the discretion to permit the surcharge if the surcharges
20 are needed.

21 I would like to present to you the following
22 for your consideration. First, Missouri has maintained
23 healthy utilities and relatively low rates thus far by
24 not allowing such surcharges. Secondly, fuel adjustment
25 surcharges make rates volatile and reduce or eliminate

1 the utilities incentive to manage fuel costs since they
2 know they will get a surcharge.

3 Third, the State of Missouri has as its goal
4 the recruitment of new industry, including the
5 biochemical industry, to locate here in Missouri.
6 Energy costs are carefully scrutinized by potential new
7 businesses and unregulated surcharges which create
8 volatile electric rates are not conducive to attracting
9 new industry.

10 Fourth, if such a surcharge is allowed,
11 consumer protection should be implemented in the PSC
12 rules that would allow both consumers and potential
13 consumers, that would assure both consumers and
14 potential consumers that utilities would be prevented
15 from obtaining such surcharges unless they can
16 demonstrate a valid financial need for them. On the
17 basis of the same philosophy, rules should include a
18 requirement that surcharges can be capped to reduce rate
19 volatility and extreme impacts.

20 Five, such a surcharge should not by nature
21 be automatically achievable just because the cost of
22 fuel or purchase power increases. The PSC should define
23 valid financial need as that which is necessary for the
24 utility to achieve its allowed return on equity.

25 Most important, if a utility is already

1 exceeded or projected to exceed its allowed return, it
2 is unfair to the consumer and unreasonable to allow even
3 more excess profits in the form of automatic surcharges
4 to rates. Such a fuel adjustment surcharge, as is being
5 requested by the utilities, is adverse to the interest
6 of not only industrial consumers and the average
7 Missouri citizen, but also to the State's goal of
8 industrial growth.

9 Biokyowa, the first Japanese company to
10 locate in Missouri, is an excellent example of a
11 Missouri company that competes in a global market. The
12 belief that an increase in the energy cost to a given
13 customer can easily be passed along to that customer's
14 customer is simply not true. The affect of this
15 proposed structure would adversely affect our economic
16 future. Let me summarize by saying that uncontrolled
17 fuel surcharges can in many instances equate to windfall
18 profits. In business, I know of no customer who says to
19 their supplier let's put a clause in our contract where
20 when one of your costs go up I will automatically pay
21 you more for your product. Although it may sound
22 foolish at first hearing, that is what the utilities are
23 asking you to write in to their contract with us, the
24 State of Missouri citizens and businesses. I ask the
25 Missouri Public Service Commission to allow a surcharge

1 only after the utility presents on an individual
2 case-by-case basis convincing proof that it is required
3 in order for them to achieve their allowed return on
4 equity. Thank you for your time and attention.

5 JUDGE DALE: Thank you, Mr. Hinckley. Are
6 there questions from the bench? Okay. Thank you. I
7 have one question, Mr. Hinckley. Do you have any
8 specific proposal for language change to the rule?

9 MR. HINCKLEY: No. My proposals are really
10 more philosophical asking you to take those things that
11 I've mentioned into account as you make such language
12 changes.

13 JUDGE DALE: Okay. Thank you. Excuse me.
14 Mr. Hinckley?

15 MR. HINCKLEY: Yes.

16 JUDGE DALE: We have one more question from
17 the chairman.

18 CHAIRMAN DAVIS: I'm sorry. Just to recap
19 your testimony, you say it should be considered on a
20 case-by-case basis.

21 MR. HINCKLEY: Yes, sir.

22 CHAIRMAN DAVIS: Is that correct?

23 MR. HINCKLEY: Yes, sir.

24 CHAIRMAN DAVIS: It should be closely tied
25 to their return on equity, so it should not be allowed

1 to over earn?

2 MR. HINCKLEY: Yes, sir.

3 CHAIRMAN DAVIS: Is there anything else that
4 I missed in terms of -- I caught your testimony, but any
5 other specifics with regard to application, rule or
6 principal that you were espousing.

7 MR. HINCKLEY: Well, the other one was to
8 consider a cap on such surcharges if it's necessary to
9 reduce volatility or stop an extreme increase.

10 CHAIRMAN DAVIS: All right. And certainly,
11 Mr. Hinckley, if there's one thing that I have heard
12 from consumers all over this state consistently is that
13 they do not like volatility more than anything else, so
14 I'll do my best to be mindful of that recommendation.

15 MR. HINCKLEY: Thank you, sir.

16 JUDGE DALE: Thank you, Mr. Hinckley.

17 Mr. Ocho?

18 MR. OCHO: The next name -- I'm going to
19 butcher this -- is Terneeni Okad?

20 MR. OKAD: It's a mistake.

21 MR. OCHO: You don't want to testify?

22 MR. OKAD: No.

23 MR. OCHO: Tom Wiginton.

24 MR. WIGINTON: How are you doing?

25 JUDGE DALE: Hello, Mr. Wiginton.

1 MR. WIGINTON: Excuse me. How are you
2 doing? I'm Tom Wiginton. I'm a resident of Cape
3 Girardeau County. I might have just a few brief
4 comments here. Mr. Hinckley really had a lot to say
5 about my biggest concerns here about leveling out the
6 amount of money the increases would produce for the
7 consumer, the people who have to pay their bills.
8 Terribly big increases in amounts from one month to the
9 next, people not suspecting or not expecting it, it's
10 quite a detriment -- it's difficult for them to pay
11 their bills. That's one of the concerns.

12 Another thing I had in mind, I wondered
13 about, was if a single rise adjustment could possibly be
14 left in place by the company by whatever means and not
15 ever be taken off when the need was no longer there. I
16 want to say just like Mr. Hinckley did say, all
17 businesses contend with the cost of doing business. I
18 think that the utility companies should be forced to
19 bear some of that expense rather than having every bit
20 of it passed on to the consumer when their cost of doing
21 business does go up in any manner.

22 I'd just like to say that all the people
23 that I've talked to, the utility payers and customers,
24 are interested in having two things; their bill not rise
25 immediately such tremendous amount that they can't pay

1 it and the next thing is to be treated fairly, make the
2 playing fields a little bit more level for the consumer
3 as opposed to the provider. And that's about all the
4 comments I have.

5 JUDGE DALE: Thank you, Mr. Wiginton.
6 Questions from the bench?

7 CHAIRMAN DAVIS: Mr. Wiginton, I apologize
8 if I missed part of your testimony. The monitor went
9 blank for a couple of minutes, but just to paraphrase
10 your testimony and tell me if I'm missing anything here,
11 you think utilities ought to have some skin in the game,
12 so to speak, that they ought to have some risk involved
13 with their fuel purchases, that you don't like price
14 spikes or volatility that customers -- that we need to
15 do what we can to minimize any kind of volatility for
16 customers, and you just want to make sure that customers
17 are treated fairly?

18 MR. WIGINTON: Yes, sir. And that any
19 single rise adjustment in the cost because of cost
20 increases to them, my concern is would they be allowed
21 to by any means keep that in place after it was no
22 longer in issue, after that increase no longer existed.

23 CHAIRMAN DAVIS: Okay. Thank you. Thank
24 you, Mr. Wiginton, and we will certainly take that into
25 account. I think maybe -- if we have time here at the

1 end maybe one of your staff people can answer that
2 question about whether the charge could remain in place
3 or if it could go back down, so maybe we'll have time
4 for that later.

5 JUDGE DALE: Mr. Wiginton, before you leave
6 I have two questions for you. One is the same one that
7 I asked Mr. Hinckley, do you have any specific
8 recommendations for language change?

9 MR. WIGINTON: No, ma'am, at this time I
10 don't.

11 JUDGE DALE: The other thing is, do you
12 avail yourself budget billing with your utility where
13 you are charged the same amount throughout the year?

14 MR. WIGINTON: I haven't in the past. I
15 might consider doing so in the future, though.

16 JUDGE DALE: Okay. Thank you.

17 MR. WIGINTON: Thank you.

18 JUDGE DALE: Thank you very much. Mr. Ocho?

19 MR. OCHO: Kevin Priester.

20 MR. PRIESTER: I'm Kevin Priester. I'm
21 water system manager for the City of Cape Girardeau.
22 We're a public utility with an annual 5 percent rate
23 increase cap by city charter. Our electrical costs can
24 be a pretty high percentage of our total cost, and I
25 would like to ask that there be at least some formula

1 established up front from a baseline of fuel cost where
2 they can say what percentage of their electrical
3 production cost is associated with a specific fuel, so
4 if their price increases were, you know, 5 percent, we
5 would see no more than that.

6 JUDGE DALE: Is that your only comment?

7 MR. PRIESTER: Yeah. Well, probably the
8 only one I should share.

9 JUDGE DALE: Okay. Well, hold on just a
10 sec. Are there any questions?

11 CHAIRMAN DAVIS: No, but thank you,
12 Mr. Priester.

13 MR. PRIESTER: Thank you.

14 JUDGE DALE: Thank you, sir. Mr. Ocho?

15 MR. OCHO: Those are the only names on the
16 signup sheet. Is there anyone else interested in
17 testifying or giving comment before the commission at
18 this time? I don't have any takers, your Honor.

19 JUDGE DALE: Thank you. Let me remind
20 everyone that if you have written comments that you
21 would like to submit after hearing what was said this
22 evening, you may do so. The record will close in this
23 matter on September 7th. Written comments, verbal
24 comments, testimony are all given the same weight. So
25 if you would like to submit something in writing, you

1 can get the address or the e-mail address for submitting
2 written comments from Mr. Ocho before he leaves. I
3 believe there was some questions that were brought up in
4 the discussion. After we conclude, we will leave the
5 link up so that if the staff members who are here in
6 Jefferson City have some answers to some of the
7 questions that were raised they can do that after we
8 leave, because -- well, actually, it's rulemaking, so we
9 can hear anything. So hearing nothing further, then we
10 will go off the record and this meeting will be
11 adjourned.

12 (The meeting was adjourned at 7:12 p.m.)

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10 EXHIBITS

11 (No exhibits proffered.)

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