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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Public Hearing

August 22, 2006

Kansas City, Missouri

Volume 1

In the Matter of a Proposed)
Rule Regarding Electric) Case No. EX-2006-0472
Utility Fuel and Purchased)
Power Cost Recovery Mechanism)

COLLEEN M. DALE, Presiding,
 CHIEF REGULATORY LAW JUDGE
JEFF DAVIS, Chairman,
STEVE GAW,
ROBERT M. CLAYTON III,
LINWARD "LIN" APPLING,
 COMMISSIONERS
(All appeared via telephone)

REPORTED BY: Tammy S. Menke

1 APPEARANCES:

2

Representing AARP:

3 MR. JOHN B. COFFMAN
 871 Tuxedo Boulevard
 4 St. Louis, Missouri 63119

5

Representing KCP&L:

6 MR. CURTIS D. BLANC
 1201 Walnut, 20th Floor
 7 Kansas City, Missouri 64106

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Representing OFFICE OF THE PUBLIC COUNSEL:

9 MR. LEWIS R. MILLS, JR.
 PUBLIC COUNSEL
 10 Missouri Office of the Public Counsel
 Post Office Box 2230
 11 Jefferson City, Missouri 65102

12

Representing STAFF, MISSOURI PUBLIC SERVICE
 COMMISSION, PUBLIC COUNSEL:

13 MR. STEVEN DOTTHEIM
 Post Office Box 360
 14 Jefferson City, Missouri 65102
 15 (Via telephone)

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22 Mr. Franklin C. Walker 13

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P R O C E E D I N G S

JUDGE DALE: Today is August 22nd, 2006.

We are here for a local public hearing in the matter of a proposed rule regarding electric utility fuel and purchased power cost recovery mechanism, Case No. EX-2006-0472. Specifically the Commission has proposed Rule 4 CSR 30-3.161 and 4 CSR 240-20.090, to establish electric utility fuel and purchase power cost recovery mechanism and to implement those mechanisms.

This is a local public hearing on the rule, especially to deny sufficient a case. Those people who wish to speak may either provide testimony or may specifically make comments. If you wish to provide testimony, since we don't have video, I will ask the court reporter to swear in those who wish to testify; otherwise you don't need to be sworn to give comments.

Comments and testimony are given equal weight. We also allow written public comments to be filed with us. Those are all of equal weight.

Are there any questions?

MR. OCHOA: I do not see any, your Honor.

JUDGE DALE: Okay. Then we will just wait

1 for commissioners to get down here and then
2 we'll begin with the first person who wishes to
3 speak.

4 MR. OCHOA: Okay. Judge Dale?

5 JUDGE DALE: Yes.

6 MR. OCHOA: Did you want to take entries
7 from the counsel that are present?

8 JUDGE DALE: Are there counsel present
9 there?

10 MR. OCHOA: We have Mr. Coffman from AARP
11 and Mr. Mills from the office of Public Counsel.

12 JUDGE DALE: Yes, I will want to. I had no
13 idea they were there.

14 MR. OCHOA: Okay.

15 JUDGE DALE: So let's go ahead. Beginning
16 with Staff, enter their appearances.

17 MR. DOTTHEIM: Steven Dottheim, Post Office
18 Box 360, Jefferson City, Missouri 65102.
19 Appearing on behalf of Staff of the Missouri
20 Public Service Commission.

21 JUDGE DALE: Thank you.

22 Mr. Coffman?

23 MR. COFFMAN: Appearing on behalf of AARP,
24 I'm John B. Coffman, 871 Tuxedo Boulevard,
25 St. Louis, Missouri 63119.

1 JUDGE DALE: Thank you.

2 Mr. Mills?

3 MR. MILLS: Appearing on behalf of the
4 Public Counsel, my name is Lewis Mills. My
5 address is Post Office Box 2230, Jefferson City,
6 Missouri 65102.

7 JUDGE DALE: Thank you.

8 We have one commissioner here,
9 Commissioner Gaw.

10 I believe we'll begin with the first person
11 who would like to speak.

12 MR. BLANC: Judge Dale, pardon. One more
13 entrance of appearance.

14 JUDGE DALE: I'm sorry? (Inaudible).

15 We're ready for our first witness.

16 MR. OCHOA: We have one more entry of
17 appearance from counsel.

18 JUDGE DALE: Oh, I'm sorry.

19 MR. BLANC: Curtis Blanc on behalf of the
20 Kansas City --

21 JUDGE DALE: I'm sorry. We can't hear you,
22 sir.

23 MR. BLANC: Curtis Blanc on behalf of
24 Kansas City Power & Light, 1201 Walnut, Kansas
25 City, Missouri 64106.

1 JUDGE DALE: Thank you, Mr. Blanc.

2 MR. OCHOA: The first person I have on my
3 sign-up sheet is Ann Johnson.

4 JUDGE DALE: Was that Ann Johnson?

5 MR. OCHOA: Ann Johnson, correct.

6 JUDGE DALE: Thank you.

7 ANN JOHNSON,
8 being first duly sworn, was examined and testified as
9 follows:

10 MS. JOHNSON: Ann Johnson, 4550 Warwick
11 Boulevard, Kansas City, Missouri 64111.

12 JUDGE DALE: Thank you, Ms. Johnson.
13 Please proceed with whatever remarks you would
14 like to make.

15 THE WITNESS: I'm a volunteer here with
16 AARP. And I'm speaking to oppose the surcharge
17 on the grounds that I think that it takes away
18 the incentive for the efficient use of
19 electrical services, the efficiencies that we
20 need to keep costs down.

21 And then I'm concerned about the imposition
22 of additional costs for consumers. I think
23 that's an unwarranted hardship. So I'm opposed
24 at this time.

25 That's about all. That's about all I know

1 to say.

2 JUDGE DALE: Do any of the counsel have
3 questions?

4 MR. DOTTHEIM: No questions of Staff.

5 THE WITNESS: Okay. Thank you.

6 JUDGE DALE: Any other person from the
7 bench?

8 COMMISSIONER GAW: Maybe just a few.

9 Ms. Johnson, can you hear me?

10 THE WITNESS: Yes.

11 COMMISSIONER GAW: Oh, good. I can hear
12 you better than I could the others. Maybe it's
13 the mike or maybe just you, but thank you.

14 THE WITNESS: I have a very loud voice.

15 COMMISSIONER GAW: Well, I'm glad. Let me
16 just ask you first: How long have you worked
17 with AARP?

18 THE WITNESS: I've been a volunteer with
19 them, I guess, about two years maybe.

20 COMMISSIONER GAW: Okay. What generally do
21 you do as a volunteer? Just very generally.

22 THE WITNESS: I participated with some of
23 our lobby days in Jeff City and done some
24 speaking in behalf of AARP in the Kansas City
25 area.

1 I manned a booth at the State Fair the
2 other day to encourage people to join the
3 organization. Just different things like that.

4 COMMISSIONER GAW: Okay. Can you tell me,
5 are you familiar with how generally -- I know
6 AARP is broader than just dealing with senior
7 issues exclusively. But generally can you tell
8 me how the prices of energy, and including those
9 as far as heating, lights and transportation,
10 have impacted the seniors in your area of late?

11 THE WITNESS: Well, I mean, it's just a
12 terrible burden, the cost of living for seniors.
13 I happen to work with seniors. I work with
14 reverse mortgages for a company called Wells
15 Fargo Mortgage.

16 And I am a social worker by education and
17 background. So I have worked with seniors in
18 many capacities over the years. I know that
19 incomes are not going up, and costs are going up
20 continually and people are suffering. They're
21 suffering on many levels.

22 I mean, just look at what gasoline prices
23 have done for those people who are still driving
24 or a lot of my clients are still trying to work
25 well into their 70s. And they have costs just

1 to get to work.

2 I just think that there's just all kinds of
3 problems with the cost of living for people who
4 are on a fixed income. And so I'm concerned
5 about all of those costs and see it every day.
6 And I think many of us see it every day.

7 COMMISSIONER GAW: Okay. And from that
8 perspective do you believe that this current
9 environment, with the energy costing what they
10 are, posing some difficult choices on some
11 seniors regards to what basic necessities of
12 life they choose to live with and without?

13 THE WITNESS: Oh, absolutely. Oh, yes. I
14 think surely we must all know that on some
15 level. But yes, I think we -- I certainly see
16 it personally, yeah.

17 COMMISSIONER GAW: Do you have any specific
18 examples that you could give us?

19 THE WITNESS: Well, primarily most recently
20 with my clients or customers that I work with in
21 the reverse mortgage area, they had thought when
22 they retired that they had their plan in place
23 for their retirement, and that they had enough
24 money to live on. And then they find that --
25 they will make comments to me like, "I guess I

1 just lived longer than I thought I would." Or
2 health problems that intervened and they have
3 medical expenses or they're unable to work into
4 their later years as they thought they might to
5 supplement their retirement income.

6 Just all kinds of situations where people
7 are having to turn to resources that they didn't
8 think they would.

9 Or widows. A lot of my customers are
10 widows because when their husband passed away
11 their pension goes away. And they're left with
12 maybe just Social Security. And the increases
13 in Social Security, as we all know, are very,
14 very low.

15 So the instances that I see are people --
16 or they try to utilize -- they refinance their
17 homes in recent years during times when interest
18 rates on mortgages have been very good. And now
19 in many instances they owe too much on their
20 homes because they cashed out and cashed out and
21 cashed out.

22 If we can't cover that mortgage with the
23 reverse mortgage, then we can't do that for them
24 and then they're forced to sell their homes and
25 do something else. So that comes up a lot.

1 Most of the people I work with
2 professionally are -- get into the reverse
3 mortgage program because that's their last --
4 their resource of last resort. So I probably
5 today see that more through my work than, you
6 know, in other areas.

7 Because a lot of the volunteers I work
8 with, with AARP, we used to have all kind of
9 issues we're dealing with too.

10 COMMISSIONER GAW: Okay. Ms. Johnson, just
11 for purposes of the record an explanation, could
12 you tell us what a reverse mortgage is?

13 THE WITNESS: Oh, it's a specially designed
14 home equity. It's an FHA insured loan for
15 people aged 62 and over. They can pull income
16 out of their home without making a payment on it
17 until they sell the home or die. So it's a way
18 for them to supplement their retirement income
19 without turning around and incurring yet an
20 additional set of monthly payments. So they
21 basically over time can kind of cash out their
22 home without having to sell the home and move.
23 They're able to live there and utilize it as a
24 liquid asset.

25 COMMISSIONER GAW: All right. Thank you

1 for that explanation. That's all the questions
2 I have right now. Thank you very much,
3 Ms. Johnson, for coming.

4 THE WITNESS: Sure.

5 JUDGE DALE: If I may interrupt, we have
6 two commissioners who have joined us. Chairman
7 Davis and Commissioner Clayton are both here
8 now. And I don't think they have any questions
9 yet.

10 But I would like to ask, just for the
11 record, if you had any specific changes to the
12 rule that you would recommend?

13 THE WITNESS: I wouldn't feel knowledgeable
14 enough about it to recommend anything specific.
15 But some sort of maybe cost sharing of this
16 surcharge or something I might view, you know,
17 some sort of an alternative. But I would just
18 hope we wouldn't see it go in place at all
19 frankly. So sorry, not much help there.

20 JUDGE DALE: Okay. Thank you.

21 Is there any other questions from the
22 bench?

23 THE WITNESS: Thank you.

24 JUDGE DALE: Okay. There are no more
25 questions. Thank you.

1 MR. OCHOA: The next person on the list is
2 Franklin Walker.

3 FRANKLIN C. WALKER,
4 being first duly sworn, was examined and testified as
5 follows:

6 THE WITNESS: My name is Franklin C.
7 Walker. I live at 5145 Lawn Avenue, Kansas
8 City, Missouri 64130.

9 JUDGE DALE: Mr. Walker, I'm going to ask
10 you to speak up. We can barely hear you. I'm
11 sorry that this is so difficult.

12 THE WITNESS: Okay. I'll do that.

13 JUDGE DALE: Thank you. Please proceed.

14 THE WITNESS: Okay. I am also a volunteer
15 with AARP. And I have been somewhat following
16 this issue as far as, you know, Senate Bill 179.

17 And my concerns are these: The volatility
18 in rates, you know we already face as a
19 consumer. And I am a retired consumer, which
20 means I'm on a fixed income, you know. And each
21 time we get into gas prices and everything else
22 my concerns are these: The volatility in rates
23 and the consumer protection issues that seem to
24 have been left out of these rules.

25 And I think we need to figure out some way

1 -- and you were asking the question a minute
2 ago, if I could say something about that.

3 My major concern is that 100 percent of
4 responsibility is being placed on the consumer,
5 to be passed onto the consumer. Now, to me that
6 means that you're taking the responsibility of
7 management to keep some of these things in
8 control off of the company, and putting all the
9 responsibility if they go up they get passed on
10 to the consumer, instead of aggressively seeking
11 new ways to get cheaper energy and doing some
12 other things that could help ease some of these
13 problems.

14 So I'm looking for a balance. If we're
15 going to have to do something the consumer
16 should be applauded. But I think there should
17 be more balance in how increase in rates are
18 available.

19 JUDGE DALE: Thank you, Mr. Franklin.
20 Were you finished? I can't see you. I'm sorry,
21 Mr. Walker.

22 THE WITNESS: Yes, I'm pretty much
23 finished. A lot of things I would say would be
24 repeating what she said. So I tried to just
25 deal with those things that would make it a

1 little different than what she said.

2 JUDGE DALE: Okay. Thank you very much.

3 Are there questions from any of the
4 attorneys?

5 MR. OCHOA: No questions, your Honor.

6 MR. DOTTHEIM: No questions from Staff.

7 JUDGE DALE: Questions from the bench?

8 CHAIRMAN DAVIS: No questions.

9 COMMISSIONER GAW: Mr. Walker, this is
10 Commissioner Gaw. How are you?

11 THE WITNESS: I'm fine. How are you?

12 COMMISSIONER GAW: I've very good. Thank
13 you for coming.

14 You said that you were trying to testify
15 about some things a little different than what
16 Ms. Johnson testified to. Do you agree with the
17 statements that Ms. Johnson made?

18 THE WITNESS: I agree with most of what she
19 said. I'm not going to say I agree with
20 everything, because I may have missed something.

21 COMMISSIONER GAW: That's okay. Is there
22 anything in particular that she said that you
23 wanted to echo?

24 THE WITNESS: Well, I wanted to echo that
25 -- I think I echoed already the fact that in

1 doing this we need to make sure that the
2 responsibility falls back on the company, not
3 just pass everything on.

4 And as far as the seniors being able to
5 deal with these continuous increases in rates,
6 whether it's electric or which ever one -- we're
7 dealing with electric right now -- that I just
8 think it's unfair to continue to just raise
9 rates without trying to really aggressively look
10 for other means to try to, you know, solve these
11 problems some other way.

12 COMMISSIONER GAW: Yes, sir.

13 THE WITNESS: And to have -- and be able to
14 do this with unlimited -- you know, without any
15 limits being put on or without any
16 specifications about, you know, how this would
17 be done and just give open or carte blanche to
18 raise these rates I don't think is fair.

19 COMMISSIONER GAW: Yes, sir. Okay. Thank
20 you very much, Mr. Walker. I appreciate it.

21 THE WITNESS: Okay. Thank you.

22 COMMISSIONER CLAYTON: Judge, may I?

23 JUDGE DALE: Yes.

24 COMMISSIONER WALKER: Mr. Walker, this is
25 Robert Clayton. I'm also a member of the

1 Commission.

2 THE WITNESS: Yes.

3 COMMISSIONER CLAYTON: You mentioned in
4 your testimony that you were looking for
5 balance. I think you were referring to balance
6 in responsibility relating to this issue.

7 I was wondering if you would elaborate a
8 little more about what you meant by that
9 balance.

10 THE WITNESS: That balance, from everything
11 I'm looking at it's saying that when rates
12 increase they would be passed a 100 percent on
13 to the consumer. It seems to me that that's --
14 you know, if the consumer had no control except
15 to pay more, they don't have any control on
16 setting the prices or doing anything else, I
17 think this is unfair, that management should
18 have some responsibility in sharing that. Maybe
19 50/50 to give you some number out of my head to
20 help you understand what I'm trying to say.
21 Instead of 100 percent, maybe they would be
22 responsible for 50 percent of it, of the rate
23 increase. And that management, the
24 responsibility placed on management to manage so
25 these costs could be taken care of some other

1 way.

2 COMMISSIONER CLAYTON: So you're suggesting
3 that there should be some sort of an incentive
4 for actions taken by a company? Is that what
5 you are suggesting?

6 THE WITNESS: I'm saying that under the
7 present circumstances there are no incentives as
8 I see it to cause a company to want to be
9 aggressive in seeking ways to reduce the costs.
10 Other -- because they can just raise the rates
11 any time the rates go up. There's not much
12 motivation to cause them seek other means to
13 handle this problem.

14 COMMISSIONER CLAYTON: Okay. Thank you.

15 And the 50/50 suggestion that you made, is
16 that just off the top of your head on how you
17 come up with that?

18 THE WITNESS: Well, it's out of my head.
19 There could be a better split, 80/40. I don't
20 know. I mean, 80/20. There could be a better
21 split in some other way if it's researched and
22 at least discussed. But all I saw in the report
23 was just the total cost being passed on to the
24 consumer, so that's what troubled me.

25 COMMISSIONER CLAYTON: Okay. Thank you,

1 Mr. Walker.

2 JUDGE DALE: Mr. Walker, while you were
3 speaking Commissioner Appling joined us and
4 heard much of your remarks. But he has no
5 questions.

6 Are there any other questions from the
7 bench?

8 Chairman Davis has a question.

9 CHAIRMAN DAVIS: Is it Mr. Walker, correct?

10 THE WITNESS: Walker, -k-e-r.

11 CHAIRMAN DAVIS: Mr. Walker, did AARP
12 contact you at the regular meeting?

13 THE WITNESS: Well, I did receive e-mails
14 and conversations telling about today's meeting,
15 yes.

16 CHAIRMAN DAVIS: Okay. Could you provide
17 us with a copy of the communication that you
18 received from AARP?

19 THE WITNESS: I probably could. I'll have
20 to get it off my e-mail.

21 CHAIRMAN DAVIS: Okay. If you could, maybe
22 there's a Staff person there that could give you
23 an e-mail address where to send it.

24 THE WITNESS: Okay.

25 CHAIRMAN DAVIS: Did AARP provide you with

1 any other compensation for appearing here today?

2 THE WITNESS: No compensation.

3 CHAIRMAN DAVIS: Okay.

4 THE WITNESS: I'm totally --

5 CHAIRMAN DAVIS: No red t-shirt or
6 anything?

7 THE WITNESS: No. I'm totally a volunteer.

8 CHAIRMAN DAVIS: All right. Thank you,
9 sir.

10 THE WITNESS: Okay.

11 JUDGE DALE: Are there any other questions
12 from any of the counsel for either of the two
13 witnesses?

14 Is there anyone else wishing to testify?

15 MR. OCHOA: I don't see anybody wishing to
16 testify, your Honor.

17 JUDGE DALE: Thank you. Then with that we
18 are off the record and adjourned.

19 (Public Hearing adjourned at 11:45 a.m.)
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