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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Public Hearing

December 3, 2003
Raytown, Missouri
Volume 3
12:30 p.m.

In the Matter of the Request of)
Aquila, Inc. D/b/a Aquila Networks --) Case No.
L&P and Aquila Networks -- MPS, to) ER-2004-0034
Implement a General Rate Increase in)
Electric Rates)

VICKY RUTH, Presiding,
REGULATORY LAW JUDGE

KELVIN L. SIMMONS,
ROBERT M. CLAYTON III,

COMMISSIONERS.

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Mr. Jim Petrie.	14
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JUDGE RUTH: Let's go on the record.

I want to welcome everyone here today. We appreciate your coming out in spite of the dusting of snow. My name is Vicky Ruth and I'm a regulatory law judge with the Missouri Public Service Commission. I'll be conducting today's local public hearing for Kennard Jones, the regulatory law judge actually assigned to this case.

The Commission has set this time for a local public hearing in Case No. ER-2004-0034 in which Aquila has requested a general rate increase, specifically Aquila's proposed general rate increase in electric rates, which is designed to produce an annual increase of approximately \$65 million for Aquila Networks - MPS.

1 Before we get comments, I'd like to give a
2 brief description of the Commission and the procedures
3 that will be followed. I will also identify some of
4 the people that are present today.

5 The Missouri Public Service Commission is a
6 state agency which regulates the rates charged by
7 investor-owned utility companies in Missouri to ensure
8 that those rates are just and reasonable. The
9 Commission also regulates the quality of service and
10 safety of the operations of the investor-owned
11 utilities. The Commission consists of five
12 commissioners who are appointed by the Governor, and
13 two of the commissioners are present today. We have
14 Commissioner Kelvin Simmons to my left and
15 Commissioner Robert Clayton to my right.

16 The Commission employs a staff of engineers,
17 accountants, attorneys, financial analysts, and other
18 specialists in the field of utility regulation. They
19 have several of those members here today.

20 Warren Wood, raise your hand.

21 And I thought we had another. Greg Potuck
22 towards the back. Thank you.

23 Then beside Mr. Wood from the Office of Public
24 Counsel is Doug Micheel. Next to him is Bruce Bates,
25 the attorney for the Commission.

1 At this table we have Mr. Paul Boudreau, the
2 attorney for Aquila, and sitting to my left, just for
3 the record, is Stanley Williams, who is Vice President
4 of Regulatory Services of Aquila. There are other
5 members of Aquila here, including Mr. Green, who is
6 the CEO.

7 The purpose of today's hearing is to give the
8 public an opportunity to offer comments or suggestions
9 regarding Aquila's proposed rate increase. This is an
10 official hearing of the Missouri Public Service
11 Commission and the statements and testimony of
12 witnesses will be recorded by the court reporter and
13 must be given under oath or affirmation. All of the
14 commissioners will have an opportunity to read that
15 record or transcript of today's proceeding.

16 In addition to the local public hearing today,
17 there was a local public hearing held last night in
18 St. Joseph, Missouri, and a trial-type evidentiary
19 hearing will be held in this case in late February and
20 early March in the Jefferson City offices. It is at
21 that hearing that the company, Aquila, will have the
22 obligation of proving its case and parties on both
23 sides of the issue will offer witnesses that will
24 testify.

25 At today's hearing the company will not have

1 an opportunity to present witnesses and actually
2 answer questions. There was a question-and-answer
3 session before the on-record presentation and the
4 company, OPC, and staff will be available after the
5 hearing for a few minutes to answer questions if some
6 other questions arise.

7 Our procedure will be as follows. I will call
8 the names of the people that have signed up to speak.
9 They will come up to the podium and I will ask them a
10 few preliminary questions, such as their address.
11 Then they can offer their statement and then we may
12 have some questions from either commissioners or the
13 attorneys from the various parties. When the
14 questions are finished, I will excuse the witness and
15 will continue to listen until everyone who wants to
16 speak has an opportunity to do so.

17 Does anyone have a question about the actual
18 procedure?

19 Commissioner Simmons, do you have any opening
20 remarks?

21 COMMISSIONER SIMMONS: Thank you, Judge.

22 I again want to reiterate what you already
23 said, which is we appreciate you being here today. I
24 know that I bring greetings from the other
25 commissioners and the other commissioners will also

1 have an opportunity to read the transcript of today,
2 so as the judge has already said, there are five of us
3 and two of us are already over in St. Louis at this
4 particular time in another hearing format, but we
5 again appreciate your presence. You could have been
6 anywhere today, you decided to come here, and we want
7 to acknowledge your presence and say thank you and we
8 look forward to hearing from you this afternoon.
9 Thanks.

10 JUDGE RUTH: Commissioner Clayton?

11 COMMISSIONER CLAYTON: I just want to also say
12 thanks for those who came today and also the wonderful
13 weather that you allowed for us. This is the first
14 snow I've seen this year and it's actually refreshing,
15 although a little wet. I appreciate you coming out
16 today. This is important and all of the commissioners
17 will take part in this hearing by reviewing the
18 transcript afterwards. We look forward to your
19 comments.

20 JUDGE RUTH: Thank you. Counsel, let's do
21 entries on the record.

22 MR. BOUDREAU: Let the record reflect I am
23 Paul Boudreau of the law firm of Brydon, Swearngen &
24 England, P.O. Box 456, Jefferson City, appearing on
25 behalf of Aquila, Inc.

1 JUDGE RUTH: Thank you.

2 MR. BATES: Thank you, Your Honor. My name is
3 Bruce Bates. I represent the staff of the Missouri
4 Public Service Commission. My address is Post Office
5 Box 360, Jefferson City, Missouri 65102.

6 JUDGE RUTH: And public counsel?

7 MR. MICHEEL: I'm Douglas Micheel appearing
8 for the Office of Public Counsel, P.O. 2240, Jefferson
9 City, Missouri 65102-2230.

10 JUDGE RUTH: Thank you.

11 The first witness is Don Wilson. Mr. Wilson,
12 would you please raise your right hand.

13 (Judge Ruth administered the oath to
14 Mr. Wilson.)

15 JUDGE RUTH: Thank you. You may have to
16 adjust the microphone a little bit. Thanks. Would
17 you please state your name for the record and then
18 spell it?

19 MR. WILSON: My name is Don Wilson, D-o-n,
20 W-i-l-s-o-n.

21 JUDGE RUTH: And your address, please?

22 MR. WILSON: My home is address is
23 10825 Gregory Lane, Raytown, Missouri.

24 JUDGE RUTH: And are you currently a customer
25 of Aquila?

1 MR. WILSON: Yes, I am.

2 JUDGE RUTH: Residential customer or business?

3 MR. WILSON: Both.

4 JUDGE RUTH: And are you here today on behalf
5 of both your residential and your business customer
6 roles?

7 MR. WILSON: Yes, I would say so.

8 JUDGE RUTH: You may proceed with your
9 statement.

10 MR. WILSON: Well, I'm an attorney in downtown
11 Raytown, I also live in the Aquila service area in
12 Raytown, and I would like to thank you for this
13 opportunity to let me address you here today.

14 I've never been to one of these hearings.
15 Frankly, I've never felt the need to come to one of
16 these hearings, but I feel that the Aquila situation
17 at least requires some attention.

18 Over the last year or so, we've just been
19 keeping a record of all of the newspaper clippings
20 about Aquila, none of which have been very flattering,
21 and pretty much everything I know--as Will Rogers used
22 to say, "The only thing I know is what I read in the
23 newspaper," and concerning this, the only thing I know
24 is what I have read in The Kansas City Star.

25 I originally thought about addressing issues

1 such as bonuses, severance packages, and other related
2 issues, but I feel like those are pretty commonly
3 known and maybe have been beaten to death. Comments I
4 will make about those would be in May of 2001 I
5 believe Aquila's stock was at \$37.55, within less than
6 two years it had gotten down at least as low as \$1.24,
7 and throughout this period of time they seem to be
8 paying, I believe, \$30 million in bonuses in 2002.

9 They gave a severance package to a CEO that
10 had been there nine months as a CEO of \$7.6 million, I
11 believe, and then for the year 2001 they show a loss
12 of almost \$2.1 billion, which is the largest ever,
13 according to The Star, for any Kansas City publicly
14 held corporation.

15 One area that sort of disturbed me was from
16 the newspaper around November of 2002. This was
17 concerning certain contracts that Aquila had entered
18 into, natural gas contracts, and I believe these were
19 guaranteed or ensured by the Chubb Corporation and
20 that's how they came to light. Aquila apparently
21 entered into natural gas contracts that were prepaid
22 to Aquila. They took the money, according to The
23 Star, and invested it in other companies. At least
24 part of the investment failed, the article wasn't
25 clear on how much of it, and Aquila had to write off

1 those investments. They later said that they had made
2 provisions to pay for and deliver the gas on the
3 contracts that extend up to 2012 and that they had
4 made provisions to pay for those out of the company's
5 future cash flow.

6 It's my understanding that they are trying to
7 end the dual function of the company. They're going
8 to stay with the regulated utility side and they're
9 going to get out of the energy trading side, and if
10 they're getting out of the energy trading side and
11 they're only going to have regulated utilities, what
12 future cash flow is there going to be that is going to
13 be paying for these natural gas contracts that they
14 were already paid for and no longer have the money to
15 provide the natural gas?

16 I don't want it to be out of the regulated
17 utility side because that's the side that we pay gas
18 bills on. I don't think that if the energy trading
19 had been a tremendous drop that the regulated
20 utilities would benefit from it and I certainly, when
21 this investment goes south, I certainly don't feel
22 like the regulated utility customers should have to
23 pay, should have to pay any of the losses that they
24 had on the energy trading side.

25 If we didn't benefit, I don't think that we

1 should share the losses, and I don't know what other
2 similar losses they've had on the energy trading side
3 are. Frankly, I'm not privy to company information.

4 But I would just ask that the Commission be
5 very scrutinizing as far as making sure that the
6 utility customers only pay for utility expenses and
7 that if there are any other losses that were incurred
8 in any other areas, whatever they may be, that those
9 losses get paid from some other source, such as
10 shareholders or the sale of other assets.

11 And that's basically those are the concerns
12 that I've had and I thank you for your time.

13 JUDGE RUTH: Remain at the podium just for a
14 moment, please.

15 Commissioner Simmons, do you have any
16 questions?

17 COMMISSIONER SIMMONS: I do.

18 Thank you for your testimony. We appreciate
19 you being here. I just want to ask you a few
20 questions because I understand from your testimony
21 that you have both a residence and also a business
22 here in the Aquila service territory. Do you have any
23 issues as it relates to the delivery of service or
24 have you received your service? Any issues in terms
25 of customer service? Have you ever tried to, I guess,

1 contact Aquila and things like that? I'm just curious
2 about your overall service with both your business or
3 your residence.

4 MR. WILSON: Well, it wasn't very good in
5 February of 2002 when we had the ice storm, but other
6 than that, I don't have any problems with their
7 service. It always seems to-- The electricity always
8 seems to be there. Hardly any outages. I can't even
9 recall the last one other than February 28,
10 approximately, of 2002. So, yes, they seem to be
11 delivering the product, to my way of thinking, very
12 well.

13 I do, however, think that the--I believe a
14 19 percent rate increase seems to be kind of high,
15 especially considering the other, the rate of
16 inflation and other factors that I'm aware of. I
17 would certainly ask the Commission to scrutinize that
18 19 percent extremely carefully and make sure whatever
19 increase they get is totally related to regulatory
20 utility losses.

21 COMMISSIONER SIMMONS: That's all the
22 questions I have. Thank you, sir.

23 MR. WILSON: Thank you.

24 JUDGE RUTH: Mr. Clayton?

25 COMMISSIONER CLAYTON: I don't have any

1 questions.

2 JUDGE RUTH: Let me make sure. Public
3 counsel, do you have any questions?

4 MR. MICHEEL: I have no questions of
5 Mr. Wilson at this time.

6 JUDGE RUTH: Staff?

7 MR. BATES: No.

8 MR. BOUDREAU: I have no questions of
9 Mr. Wilson.

10 JUDGE RUTH: Thank you very much. You're
11 excused.

12 (Mr. Wilson returned to the audience.)

13 JUDGE RUTH: We have a second witness, Jim
14 Petrie.

15 MR. PETRIE: Mr. Wilson was so eloquent, I
16 don't think there's any need for me to say anything.

17 JUDGE RUTH: Would you like to go on the
18 record and just state that?

19 (Mr. Petrie approached the podium.)

20 JUDGE RUTH: Mr. Petrie? Is that how you
21 pronounce it?

22 MR. PETRIE: Yes.

23 (Judge Ruth administered the oath to
24 Mr. Petrie.)

25 JUDGE RUTH: Would you state and spell your

1 name?

2 MR. PETRIE: My name is Jim Petrie, last name
3 P-e-t-r-i-e, and I have a business located at
4 6119 Blue Ridge Boulevard in downtown Raytown, which
5 is within the Aquila service area.

6 I would agree with Mr. Wilson's remarks that
7 it appears to be some poor decisions that were made by
8 management, particularly with regard to energy trading
9 decisions and with respect to the awarding of large
10 bonuses and severance packages, and the ratepayers
11 were not party to those decisions, and I would agree
12 with Mr. Wilson that the ratepayers should not be
13 responsible for the losses that were incurred as a
14 result of those decisions.

15 Had the ratepayers been privy to those
16 decisions, perhaps I'd feel differently, but since
17 they weren't, I believe that the corporation and its
18 officers, directors, and shareholders are the ones who
19 bear the responsibility, should bear the loss, if
20 there is any.

21 Again, I don't know all the inner workings and
22 the bottom line of Aquila, but I don't believe that
23 the ratepayers should be responsible for the losses
24 that have caused the unprofitability of this venture.
25 That is Aquila's to suffer.

1 Other than that, I have nothing to add.

2 JUDGE RUTH: I want to clarify, then. I think
3 you said your business.

4 MR. PETRIE: My business is located there.

5 JUDGE RUTH: And the address, again?

6 MR. PETRIE: 6119 Blue Ridge Boulevard.

7 JUDGE RUTH: Are you also a residential
8 customer?

9 MR. PETRIE: No, I'm not.

10 JUDGE RUTH: Thank you. I just wanted to make
11 sure I got that.

12 Mr. Simmons, do you have any questions?

13 COMMISSIONER SIMMONS: I don't have any
14 questions, but thank you, Mr. Petrie, for your
15 testimony.

16 JUDGE RUTH: Mr. Clayton?

17 COMMISSIONER CLAYTON: I don't believe I have
18 any questions. Thank you.

19 JUDGE RUTH: Public counsel?

20 MR. MICHEEL: I don't have any questions of
21 Mr. Petrie.

22 JUDGE RUTH: Staff?

23 MR. BATES: None.

24 MR. BOUDREAU: None.

25 JUDGE RUTH: Thank you very much.

1 (Mr. Petrie returned to the audience.)

2 JUDGE RUTH: Those are the only two people
3 that have signed up on the witness sheet. Do I have
4 anybody else in the audience that wanted to speak?
5 Any other potential witnesses? I'm seeing no one.

6 Commissioner Simmons, do you have any closing
7 remarks today?

8 COMMISSIONER SIMMONS: I do not, other than to
9 thank the two gentlemen that came to testify and thank
10 you, the audience that are here. I appreciate you
11 being here.

12 JUDGE RUTH: Mr. Clayton?

13 COMMISSIONER CLAYTON: I'm saying the same
14 thing over and over. Thank you for coming out today.

15 JUDGE RUTH: We appreciate your attendance and
16 I'll remind you that staff, public counsel, and the
17 company, Aquila, will have representatives available
18 for a few minutes to answer any questions that you
19 might still have, and this hearing is now adjourned.
20 Thank you.

21 (The hearing adjourned at 12:46 p.m.)

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