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Witness: Michael J. Ensrud  
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**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**  
Tariff, Safety, Economic & Engineering Analysis

**REBUTTAL TESTIMONY**

**OF**

**MICHAEL J. ENSRUD**

**SUMMIT NATURAL GAS OF MISSOURI, INC.**

**CASE NO. GR-2014-0086**

*Jefferson City, Missouri*  
*July 2014*



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Q. Please state your name and business address.

A. My name is Michael J. Ensrud, P.O. Box 360, Jefferson City, Missouri 65102.

Q. By whom are you employed and in what capacity?

A. I am a Rate and Tariff Examiner II for the Missouri Public Service Commission Staff ("Staff").

Q. Please describe your educational background and have you previously file testimony before the Commission?

A. Yes. Schedule MJE 1 contains my credentials and a list of cases in which I have previously filed testimony as well as the issues that I have addressed in past testimony.

Q. With reference to Case No. GR-2014-0086, have you participated in the Commission Staff's audit of Summit Natural Gas of Missouri ("SNG" or "Company") concerning its request for a rate increase in this proceeding?

A. Yes, I have, with the assistance of other members of the Staff. I am addressing SNG's proposal relating to miscellaneous charges, and its tariff consolidation. I have testified as a Staff expert on issues relating to miscellaneous charges, as well as other issues, for approximately ten years.

**PURPOSE OF REBUTTAL TESTIMONY**

Q. What is the purpose of your rebuttal testimony?

1           A.     The purpose of my rebuttal testimony is to address SNG’s proposal relating to  
2 miscellaneous charges. SNG is proposing to consolidate its miscellaneous charges into  
3 uniform rates for its various districts. SNG has failed to meet very basic tenants of cost-based  
4 regulation by providing no support for its rate consolidation. This consolidation of  
5 miscellaneous charges should be rejected. Finally, SNG is misapplying its current tariff, and  
6 that misapplication needs to be rectified.

7           **FLAWS IN SNG’S PROPOSAL**

8           Q.     What is SNG’s proposal concerning miscellaneous charges for its various  
9 districts?

10          A.     SNG wants to raise miscellaneous charges in the Branson and Rogersville  
11 districts (the old Southern Missouri Natural Gas Company (“SMNG”) properties) to the levels  
12 that already exist in its Gallatin and Warsaw districts (the old Missouri Gas Utility (“MGU”)  
13 properties) in order to bring about uniformity Missouri-wide. (See Schedule MJE 2 for a list  
14 of the districts and a list of the rates being raised.)

15                 SNG witness Martha Wankum sets forth this proposal when she states:

16                         The miscellaneous charges in the proposed consolidated tariff book  
17 (P.S.C. MO No. 3) reflect the miscellaneous charges currently  
18 authorized in the P.S.C. MO No. 1 tariff book. These **charges were**  
19 **previously approved by this Commission** and this change would  
20 create uniformity between the fees charged across the entire SNG  
21 service territory. (Emphasis Added) (Direct - Page 12 / Lines 10-16)

22          Q.     What is Staff’s response to this proposal?

23          A.     SNG’s proposal will harm customers in the Branson and Rogersville districts  
24 by increasing their miscellaneous charges without adequate cost support and without  
25 recognizing these revenue increases for revenue requirement purposes. Raising rates beyond

1 the past-approved costs without any cost study and failing to increase the revenue requirement  
2 to recognize the increased charges are two major flaws with SNG's proposal.

3 Q. How does Staff respond to Ms. Wankum's contention that the "charges were  
4 previously approved by this Commission"?

5 A. The statement is misleading. The Commission has never approved the rates  
6 for a combination of the "old" SMNG Legacy System (Rogersville & Branson Districts) and  
7 the "old" MGU territories (Gallatin Warsaw, and Lake of the Ozark Districts). SNG has  
8 failed to supply cost support (that would justify the proposed rates) for the newly-created  
9 composite SNG territory. Because SNG has failed to provide traditional bill frequency data  
10 requested by Staff, no revenue impact of SNG's proposal can be computed. The  
11 miscellaneous rates for the Rogersville and Branson Districts are being increased to the higher  
12 Gallatin and Warsaw District (the former MGU) rates, and this consolidation will generate  
13 more revenue. Therefore, such a change would be detrimental to SNG's customers in the  
14 Rogersville and Branson Districts. SNG would benefit by this increase, because it would  
15 generate additional revenues that would be above the Commission approved revenue  
16 requirement in this case.

17 **PROPER WAY TO BLEND MISCELLANEOUS CHARGES**

18 Q. How does Staff view the merits of SNG's proposal?

19 A. SNG's proposal is not justified or supported. The last time these  
20 miscellaneous charges were changed were pursuant to rate cases for MGU & SMNG and  
21 were established with two different customer bases and different underlying costs between the  
22 two territories.

23 Q. What should SNG have done?

1           A.     In this rate case, SNG needed a cost study to support the consolidation of  
2 miscellaneous charges that would reflect its current costs for these services. SNG has not  
3 provided such cost support to justify the increased charges, and it is not just and reasonable to  
4 increase these charges without evidence to show the actual cost of these services.

5           SNG should have provided data that would allow Staff to calculate the revenue impact  
6 of the resulting changes in cost-based rates, but failed to do so. This calculation is also an  
7 absolute prerequisite.

### 8 **RATE INCREASE BUT NO INCREASE IN REVENUE REQUIREMENT**

9           Q.     What is Staff's other primary concern?

10          A.     The purpose of a rate increase is to generate monies necessary to meet the  
11 revenue requirement that a company can justify. The revenue requirement should be based on  
12 the utility's cost to provide utility service to its customers. It is dramatically at odds with  
13 traditional, cost-based regulation for the regulator to allow a utility to charge higher rates (via  
14 miscellaneous charges), but to not impute the dollar impact of such an increase to the revenue  
15 requirement.

### 16 **PRECEDENT OF COST-BASED MISCELLANEOUS CHARGES**

17          Q.     Does Staff have another concern?

18          A.     Yes. SNG has failed to supply cost support for any of its proposed  
19 miscellaneous charges<sup>1</sup>.

20          Q.     What is this Commission's long-standing practice concerning miscellaneous  
21 charges being cost-based?

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<sup>1</sup> SNG response to Staff DR 102.

1           A.     The practice of the Commission supporting cost-based reconnection charges,  
2 as well as other miscellaneous charges, is long established. In Atmos Energy Corporation's  
3 Case No. GR-2006-0387. The Commission stated the following:

4                     In addition, the Commission finds that it is **reasonable to align the**  
5 **charges with the actual costs to provide the service.**

6                                     ...  
7                     The Commission finds the proposed charges to be **just and**  
8 **reasonable based on the actual costs to provide such services** and  
9 shall adopt them.<sup>2</sup> **(Emphasis added)**

10  
11           Q.     Are there any other previous decisions or publications that further support your  
12 position that cost-based miscellaneous charges are the long-established practice in Missouri,  
13 and an industry-accepted principle?

14           A.     Yes. I am supplying additional examples in Schedule MJE 3, which  
15 demonstrate that Staff's recommendation reflects a long-established practice.

16 **SPECIFIC CUSTOMERS SHOULD BE HELD RESPONSIBLE FOR THE**  
17 **COSTS THEY GENERATE**

18           Q.     Please explain why cost-based rates are just and reasonable for reconnection  
19 charges in this case.

20           A.     If a customer generates a unique, traceable cost that benefits that specific  
21 customer, then that customer should pay that specific cost that he/she generated. This is  
22 generally considered the concept of "cost causer should be cost payer." The Staff supports  
23 this concept for miscellaneous tariff rates.

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<sup>2</sup> Report & Order - In the Matter of Atmos Energy Corporation's Tariff Revision Designed to Consolidate Rates and Implement a General Rate Increase for Natural Gas Service in the Missouri Service Area of Atmos. (Case No. GR-2006-0387) / 22nd day of February, 2007 / page 26 & 27.

1 **EXISTING APPLICATION INCONSISTENT WITH EXISTING TARIFF**

2 Q. If you are advocating that the existing miscellaneous tariff's rates should not  
3 change, does that mean all the miscellaneous charge applications should remain constant?

4 A. No. Since the current application for one miscellaneous charge is at odds with  
5 the existing tariff language, this improper application needs to be corrected, and made to be  
6 consistent with the tariff, even though the tariff language remains verbatim.

7 Q. What is the current application of miscellaneous charge that is at odds with the  
8 existing tariff?

9 A. SNG is currently overcharging customers served out of Tariff No. 2 (the  
10 former SMNG) when compared to the content of the tariff. The tariff only has a \$30  
11 Reconnection Charge for reconnections that occur during regular business hours.<sup>3</sup> No  
12 traditional disconnection charge is tariffed for Tariff No. 2 (the former SMNG).

13 Q. What is wrong with what SNG is currently charging?

14 A. In its response to DR 190, SNG states the following:

15 **QUESTION**

16 Under the currently effective tariff, what does Summit charge a  
17 customer generating a disconnection / reconnection in the "old"  
18 Southern Missouri Natural Gas territory? Is it zero for the  
19 disconnection / \$30 for the reconnection – **for a grand total of \$30?**

20 **RESPONSE**

21 Only if a Technician goes to the premise, **the following fees are**  
22 **charged: \$40 delinquent disconnect (combination of \$30 collection**  
23 **trip charge + \$10 delinquent bill fee if work order issued to**  
24 **disconnect) + \$30 delinquent reconnect = \$70 total** if a delinquent  
25 customer is disconnected & reconnected. (Emphasis Added)

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<sup>3</sup> The tariff also contains \$50 outside regular business hours Reconnection.

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1           Such an application is at odds with the existing tariff. The term “delinquent  
2 disconnect” is not addressed in any of SNG’s tariffs. The rates for the “\$30 collection trip  
3 charge” and “\$10 delinquent bill fee” are in the tariff, but they are clearly applicable to  
4 activity other than a disconnection. (See Schedule MJE 4.) There is no “delinquent  
5 disconnect” in the tariff that allows SNG to charge a \$40 for a disconnect charge.

6           Q. Has SNG proposed any resolution to the existing misapplication of the  
7 unjustified “delinquent disconnect”?

8           A. No. SNG is silent on this misapplication.

9           Q. What solution does Staff propose?

10          A. Staff recommends that the Commission direct SNG to follow its current tariff.

11          Q. Does this conclude your rebuttal testimony?

12          A. Yes.

**Michael J. Ensrud**

My educational and professional experience is as follows:

I have a Bachelor of Science from Drake University. I attended the NARUC Annual Regulatory Studies Program at Michigan State University. In the regulatory field, I've worked for CompTel Missouri, and CommuniGroup, Inc., Teleconnect, TeleCom\* USA, and General Telephone Company of the Midwest in the private sector. In addition, I have four years' experience with the Iowa Public Utility Board, which is Iowa's equivalent to the Missouri Public Service Commission.

I have filed written testimony and have testified in several cases before the Missouri Public Service Commission. Listed below are the cases where I have filed testimony (or otherwise materially participated) as a Staff witness before this Commission. (There are numerous cases going back to the mid-1980s where I filed testimony on behalf of Teleconnect (TeleCom\*USA), CompTel of Missouri & CommuniGroup, Inc., as well as various private entities or trade associations that are not listed). I have also testified in other jurisdictions.

**Michael J. Ensrud**

Cases that I have testified (or otherwise materially participated) in as a Staff witness:

**Atmos Energy Corporation - GR-2006-0387** - Miscellaneous Rate Issues & Seasonal Reconnection Charge.

**Missouri Gas Energy (a Division of Southern Union Company)**  
- **GR-2006-0422** - Miscellaneous Rate Issues & Seasonal Reconnection Charge.

**AmerenUE (Union Electric Company) - GR- 2007-0003** - Miscellaneous Rate Issues & Seasonal Reconnection Charge.

**Laclede Gas Company - GR-2005-0284** - Miscellaneous Rate Issues & Credit Scoring /  
**GR - 2007-0208** - Miscellaneous Rate Issues & Credit Scoring & Rate Switching Customers

**Southern Missouri Natural Gas Company (Southern Missouri Natural Gas Company) - GE-2005-0189** - Promotional Practices

**Empire District Electric Company of Joplin - ER-2006-0315** - Street Lighting

**Missouri Gas Utilities, Inc. (MGU) - GR-2008-0060** - Miscellaneous Rate Issues

**Trigen Kansas City Energy Corporation - HR-2008-0300** - Miscellaneous Rate Issues

**Union Electric Company d/b/a AmerenUE - ER-2008-0318** – Renewable Energy Certificates

**Kansas City Power & Light – KCP&L Greater Missouri Operations Company (“GMO”) – HR-2009-0092** – Contract Adjustment & Imputation – AG Processing (AGP)

**Missouri Gas Energy (a Division of Southern Union Company)**  
- **GR-2008-0355** - Miscellaneous Rate Issues & Rewrite of Transportation Tariff.

**Missouri Gas Energy (a Division of Southern Union Company)**  
- **GR-2010-0355** - Miscellaneous Rate Issues & Rewrite of Transportation Tariff.

**Empire District Electric Company of Joplin – GR-2009-0434** - Miscellaneous Rate Issues & Rewrite of Transportation Tariff.

**Missouri Gas Energy (a Division of Southern Union Company)**  
**GT-2010-0261** - Rewrite of Transportation Tariff (Off-shoot of .GR-2010-0355).

**Laclede Gas Company – GR-2010-0171** – Class Cost of Service

**AmerenUE - GR- 2010-0363-** Class Cost of Service

**Ameren Missouri GR-2012-0166** – Voluntary RECs / Pure Power Program

**Missouri Gas Energy (a Division of Southern Union Company)**

**GR-2014-0007-** Miscellaneous Charges & Earmarking of Revenues - Imputation of Revenues

SNG Division Name Changes

**“OLD”**

**“Current”**

<b>P.S.C. MO No. 1 (formerly MGU)</b>		<b>P.S.C. MO No. 3 (SNG)</b>	
Northern Service Area	→	Gallatin Division	
Southern Service Area	→	Warsaw Division	
Lake of the Ozarks Service Area	→	Lake of the Ozarks Division	

<b>P.S.C. MO No. 2 (formerly SMNG)</b>		<b>P.S.C. MO No. 3 (SNG)</b>	
SMNG Legacy System	→	Rogersville Division	
Branson Service Area	→	Branson Division	

(Source: Wankum- Direct – Page 11 – Lines 17 to 25)

Summit Natural Gas  
 GR-2014-0086  
 Schedule – MJE-2-

<u>Miscell</u>		<u>MGU</u>	<u>SNNG</u>	<u>Proposed</u>	<u>Increase</u>
<u>Charge</u>		<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	
		<u>(Note #1)</u>	<u>(Note #2)</u>		
Reconnection (During Reg. hours)		\$40.00	\$30.00	\$40.00	\$10.00
Reconnection (Outsie Reg. hours)		\$40.00	\$50.00	\$40.00	(\$10.00)
Disconnection		\$40.00	\$0.00	\$40.00	\$40.00
Non-sufficient Chech Charge		\$30.00	\$10.00	\$30.00	\$20.00
Collection Trip Charge		\$40.00	\$30.00	\$40.00	\$10.00
Special Meter Reading Charge		\$20.00	\$30.00	\$20.00	(\$10.00)
NOTE #1 - Gallatin / Warsaw / Lake of the Ozarks Divisions					
NOTE #2 Regersville / Branson Divisions					

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**Summit Natural Gas of Missouri, Inc.**

In Atmos Energy Corporation's Case No. GR-2006-0387, the Commission stated the following in relation to what criteria should be used when setting the appropriate insufficient check charge:

Therefore, the Commission finds it reasonable to set these charges on a statewide basis *in an amount that is closer to the actual costs.*<sup>1</sup> (*Emphasis added*)

Without SNG providing costs support, setting rates at actual cost is impossible.

Staff recommends the continuation of these long-established policy of cost-causer being cost-payer for most types of miscellaneous charges. As proof that "cost causer should be cost payer" is an industry-wide, long-held and entrenched costing methodology, I would reference you to Deloitte, Haskins, & Sells' *Public Utilities Manual*<sup>2</sup> as support of that the position that cost-based miscellaneous charges is both a basic precept and long-held practice of traditional regulation. The manual contains the following:

**Allocating Costs.** In establishing rate groups and *schedules for special services* within groups, *the first step is to determine the cost of servicing the particular function. Costs for which the service is directly responsible must be identified and assigned directly.* Those for which the service may share responsibility with others must be allocated to it. (*Emphasis Added*) (Page 30)

This proves that a basic tenant of regulation is cost-based rates (cost causer should be cost payer) goes back to 1980, but, in reality, the tenant goes back far longer.

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<sup>1</sup> Report & Order - In the Matter of Atmos Energy Corporation's Tariff Revision Designed to Consolidate Rates and Implement a General Rate Increase for Natural Gas Service in the Missouri Service Area of Atmos. (Case No. GR-2006-0387) / 22nd day of February, 2007 / page 27.

<sup>2</sup> *Public Utilities Manual*, Deloitte Haskins & Sells, 1980, p. 30.

**Deloitte  
Haskins+Sells**

USA

**Public Utilities  
Manual**

## Foreword

The principal purpose of this manual is to assist the accountant familiar with accounting for business in general in applying his training to the specialized problems of public utilities. The discussion of the utility industry here is intended to include those enterprises generally considered public utilities; transportation, a specialized field in itself, is not included. Emphasis is given to the electric industry but the principles are applicable also to the gas, communications, and water industries.

Almost every industry has unique problems or practices that affect its accounting. In certain industries the unusual features are more obvious or perhaps more common than in other industries; such industries, including the public utility industry, frequently are considered fields for specialists. The accounting practices of utility companies do differ in many ways from those of other businesses; the use of systems of accounts prescribed by regulatory authorities is not the least of the differences. There are, however, more similarities than differences, generally accepted accounting principles apply to utilities just as to other industries, although their application at times may be different.

Some of the material that follows deals with nonaccounting aspects of the industry. Moreover, there is little or no discussion of those aspects of accounting and auditing that are substantially the same as the practices in other businesses. This manual is not intended to be an exhaustive study of the industry but rather a résumé of the unusual features of most interest to accountants and auditors. The appendices provide a glossary, certain statistical information and a selected bibliography.

January 1940

Deloitte Haskins & Sells

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**Classes and Groups.** Companies normally seek to limit the number of rate schedules used to those necessary to recognize broad categories of customer service characteristics, designing the schedule for each so as to recover the costs allocated to it and to encourage, through appropriate unit prices, the maximum utilization of service in areas of lowest cost.

Some companies separate customers into the broad classes of "residential," "commercial" and "industrial," preparing schedules for each. Most companies, however, while using these classes, break each of them down into subsidiary groups as necessary. For example, in the electric industry the class of residential customers might be broken down into special-use groups such as those using water heaters, space heating, and the like. These would have special rates, on the grounds that the services they receive have cost factors peculiar to themselves or because the services have special value to the customer.

**Allocating Costs.** In establishing rate groups and schedules for special services within the groups, the first step is to determine the cost of servicing the particular function. Costs for which the service is directly responsible must be identified and assigned directly. Those for which the service may share responsibility with others must be allocated to it.

**Direct Investment Costs.** Very few investment costs can be directly assigned, but it is appropriate to do so whenever possible. This happens most often in the case of facilities required by large industrial or commercial customers who are their sole users and to whom investment costs (and related operating costs) should be assigned directly. Examples would be a lateral gas line running from a main line to a single customer or a bank of electric transformers installed on a customer's premises but owned by the utility.

**Shared Investment Costs.** Most plant facilities serve large blocks of customers of varying classes and characteristics. Costs of these facilities should be allocated in such a way that each class of service is assigned responsibility for its fair and reasonable portion of the investment. This is frequently difficult to do, and it is essential that proper records be maintained properly in order to establish unit identification and to determine the total amount of investment in a given facility that is subject to allocation. (Adequate property records are, of course, also essential to the direct assignment of costs.)

**Operating Expenses, Depreciation and Taxes.** Allocation of these costs to customer groups presents difficulties similar to those that arise in allocating investment costs. Although a few are directly relatable to a specific customer or class, in most cases it is impossible to identify any particular recipient as benefiting from them exclusively. Difficulty of

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**Summit Natural Gas of Missouri, Inc.**

SNG's existing tariff contains the following:

35) *Collection Trip Charge*

*When the Company makes a service trip for the purpose of disconnection of service because of non-payment, **and customer pays** Company's personnel, at customer's premises, **to prevent said disconnect**, an additional charge (a trip charge) will be billed to the customer for the recovery of the expense of Company personnel traveling to customer's premises. (**Emphasis added**)*

*(Source: PSC #2 - Page 70)*

This language is abundantly clear that this is a tariff fee that is applicable when a SNG representative is dispatched, and money is collected. The definition is clear that for the Collection Trip Charge to be applicable, the active must be in lieu of service being disconnected and not in conjunction with a disconnection.<sup>1</sup>

The tariff for the "\$30 collection trip charge + \$10 delinquent bill fee" is tariffed as follows:

***COLLECTION CHARGE<sup>2</sup>***

*Effective with the effective date of this tariff sheet, the collection trip charge as described in Rule No. 35, Page 70, of this tariff shall be as follows:*

*Collection Trip Charge- \$30.00 C*

*Delinquent bill fee, if work order issued to disconnect account \$10.00 N*

*(Source: PSC #2 - Page 30)*

Staff's research indicates these two quotes are the primary explanation for the tariff clauses that address how the *Collection Trip Charge* and the *Delinquent bill fee, if work order issued to disconnect account* (in composite - the Collection Charge) are supposed to be applied. Nothing in this language indicates these charges are applicable to disconnections, and language indicates it does not apply in those circumstances.

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<sup>1</sup> That is the only reasonable interpretation of the phrase "to prevent said disconnect."

<sup>2</sup> Given the way this is tariffed, it indicates both components are viewed as being parts of the "Collection Charge".

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**Summit Natural Gas of Missouri, Inc.**

There is also the common vernacular of regulation. It is generally accepted that a disconnection means what it says – service is disconnected. A collection charge means a company representative goes to the customer’s premises and collects money. Barring there being unique tariff language justifying variation from the generic understanding of the terms, the generic understanding should prevail.

It is unfair and unreasonable to expect either the customer or Staff to interpret that, for SNG, exclusively for the Tariff No. 2 (Old SMNG), the term *Collection TripCharge* has non-generic meaning that is contradictorily defined in the tariff.

Finally, there is proof that SNG (at times) understands the generic vernacular difference between a “disconnection charge” and a “collection charge”. All one need do is read SNG’s Tariff No. 1 (Old MGU) to see the traditional application. SNG has tariffed a disconnection charge on page 55 and a Collection Trip Charge on Page 55.

It is unclear why SNG can utilize the conventional approach for Tariff No. 1 (Old MGU), but uses a very unique and unsupported application for Tariff No. 2.

Without changing any tariff language, the Commission should direct SNG to cease applying its “delinquent disconnect” application.