

Exhibit No.:
Issue: *Quality of Service*
Witness: *Carol Gay Fred*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *GT-2009-0026*
Date Testimony Prepared: *October 24, 2008*

MISSOURI PUBLIC SERVICE COMMISSION
GENERAL COUNSEL DIVISION

REBUTTAL TESTIMONY
OF
CAROL GAY FRED

LACLEDE GAS COMPANY

CASE NO. GT-2009-0026

Jefferson City, Missouri
October 2008

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CAROL GAY FRED
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1 Q. What knowledge, skill, experience, training or education do you have in
2 regulatory matters?

3 A. I have acquired general knowledge of these topics through my experience and
4 analyses in prior rate, complaint, merger, rulemaking and working group cases before this
5 Commission. I have also acquired knowledge of these topics through review of Staff
6 workpapers for prior complaint cases brought before this Commission. I have reviewed prior
7 Commission decisions with regard to these areas. In addition, since commencing
8 employment with the Commission in January, 1987, I have attended various in-house
9 training seminars and NARUC training seminars and conferences. I am an active member of
10 the NARUC Subcommittee on Consumer Affairs. I have also participated in and supervised
11 the work on a number of informal and formal complaint proceedings. As the manager of
12 consumer services department I supervise and provide instructions to Consumer Specialist Is
13 and IIs and Consumer Service Coordinators on similar matters within the General Counsel
14 Division.

15 In addition, prior to my employment with the Commission I was employed by United
16 Telephone Company, now known as Embarq, from 1977 to 1987, as an internal consultant
17 with primary functions that consisted of call center supervision, credit and collections,
18 outside plant compliance audits, cable assignment specialist and central office switch
19 conversion assistant.

20 **PURPOSE OF TESTIMONY**

21 Q. What is the primary purpose of your testimony?

1 A. The purpose of my testimony is to discuss Laclede Gas Company's
2 (Laclede's) proposal to revise their PGA rates to in part include bad debt write-offs and the
3 possible impact that may have on consumers.

4 **BAD DEBT**

5 Q. Do you agree with Laclede's assessment that bad debt has been climbing?

6 A. Yes. While Mr. Buck's testimony on page 5 shows a steady level of
7 write-offs in the past three years, I'm simply addressing my experience with Laclede's Cold
8 Weather Rule (CWR) data on disconnects and uncollectibles, and Laclede's credit and
9 collection practices.

10 Q. What evidence do you have that Laclede's bad debt is climbing?

11 A. On a monthly basis I receive Cold Weather Rule (CWR) reports from all
12 LDCs, as a part of their reporting requirements. In this report the utilities include, the
13 number of customers disconnected, of those disconnected how many had a CWR pay
14 agreement, how many broke the agreement, how many received energy assistance, how
15 many has service restored and how much was owed by those disconnected during the
16 reporting period.

17 In reviewing the number of customers disconnected and how much was owed by
18 those disconnected over the last four years (2005-2008), I have seen differing levels from all
19 LDCs, but notably, Laclede's reports have demonstrated a dramatic difference in 2006 and
20 2008 (see Schedule 1-1 and 1-2).

21 **CREDIT AND COLLECTION**

22 Q. What are the causes of the difference in 2006?

1 A. The difference in 2006 was directly related to the number of customer bills
2 Laclede had to estimate. Staff raised these issues in Complaint case GC-2006-0218,
3 regarding Laclede's practice of sending customers catch-up bills where Laclede had
4 estimated and undercharged customers for a period greater than twelve months. Laclede had
5 been estimating customer bills for an extended period time due to lack of access to inside
6 meters to obtain an actual meter reading.

7 Q. Why do you believe there has been a dramatic difference in 2008?

8 A. I believe the primary difference in 2008 has been the higher cost of gas and
9 the impact it had on a customer's budget bill plan.

10 Q. Do you believe that either of these dramatic differences could have been
11 avoided?

12 A. Perhaps not completely, however, I do believe that both could have been
13 minimized had Laclede been more aggressive in its credit and collection practices, as
14 mentioned in Staff witness Lisa Kremer's testimony. Laclede has installed AMR devices
15 which help obtain actual meter readings. To my knowledge, however, Laclede has not
16 implemented any more aggressive collection practice than any other regulated utility.

17 Q. What is your basis for this statement?

18 A. Due to the high number of customer complaints, Staff has been meeting on a
19 regular basis with Laclede personnel to discuss Laclede's credit and collection practices, bill
20 adjustments, estimated bills, the progress of its AMR project and Laclede's compliance with
21 Chapter 13 rules.

22 Q. Have these meetings with Laclede been effective?

1 A. Yes. The regular meetings between Laclede and Staff have been very
2 productive and have helped in addressing call center issues, billing and collection issues
3 related to rebills, estimated bills and billing adjustments, budget bill plans and AMR project
4 progress.

5 Q. Can you provide an example?

6 A. Yes. We met on December 6, 2007, to discuss the customer confusion which
7 resulted from Laclede's practice of assessing a consumer multiple rebills once a reading was
8 obtained from an inside AMR. Staff asked Laclede to modify its procedures to verify the
9 accuracy of the rebill prior to sending it to the consumer so that the consumer would only
10 receive one rebill, and reduce the customer's confusion. When we met again January 11,
11 2008, Laclede indicated that it had held rebills until they had the opportunity to review the
12 calculations before releasing to the consumer. This was also reflected by the decline in PSC
13 consumer complaints on this issue.

14 Q. Based on these regular meetings has Laclede indicated its willingness to take a
15 more aggressive approach to its credit and collections?

16 A. No.

17 Q. Are there steps Laclede could take?

18 A. Staff supports Laclede's efforts to collect for service from the customer
19 benefiting from service. These steps include disconnection of service when a customer is not
20 making regular payments, vacant with usage and diversion. In the winter this must be done
21 in compliance with the Cold Weather Rule, but the rule permits disconnection in the winter.
22 Laclede is permitted to require fifty percent (50%) or five hundred dollars (\$500) of a

1 customer's pre-existing arrearage before connecting service during the cold weather period
2 and should collect this amount.

3 Q. In your experience what happens to customers who are permitted to
4 accumulate a high level of arrearages?

5 A. Customers will have services disconnected for non-payment once the heating
6 season has ended and the customer will remain off the system until the next heating period, at
7 which point the customer will seek energy assistance to get their service reinstated.
8 However, according the CWR a gas utility shall not be required to offer reconnection or
9 retention of service under the terms of 50% or \$500 more than once every two (2) years for
10 any customer or any customer who has defaulted on a payment plan under this provision
11 three (3) or more times. Therefore, a customer can accumulate a substantial arrearage over
12 the course of six (6) years.

13 Q. From a customer service level do you recommend Commission approval of
14 this tariff?

15 A. To the extent it increases customers' rates when many are having trouble
16 paying their bills it is not in the interest of customers. To the extent it reduces Laclede's
17 incentives to aggressively pursue collection or bad debt, it harms all customers.

18 Q. Does this conclude your testimony?

19 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

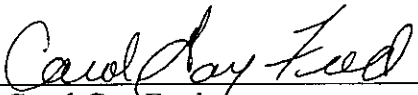
In the Matter of the Laclede Gas Company)
Tariff Filing to Recover Bad Debt Expenses)
Through the PGA and to Modify Cold)
Weather Rule Provisions.)

Case No. GT-2009-0026

AFFIDAVIT OF CAROL GAY FRED

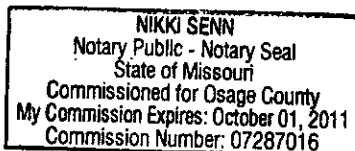
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.


Carol Gay Fred, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 6 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.



Carol Gay Fred

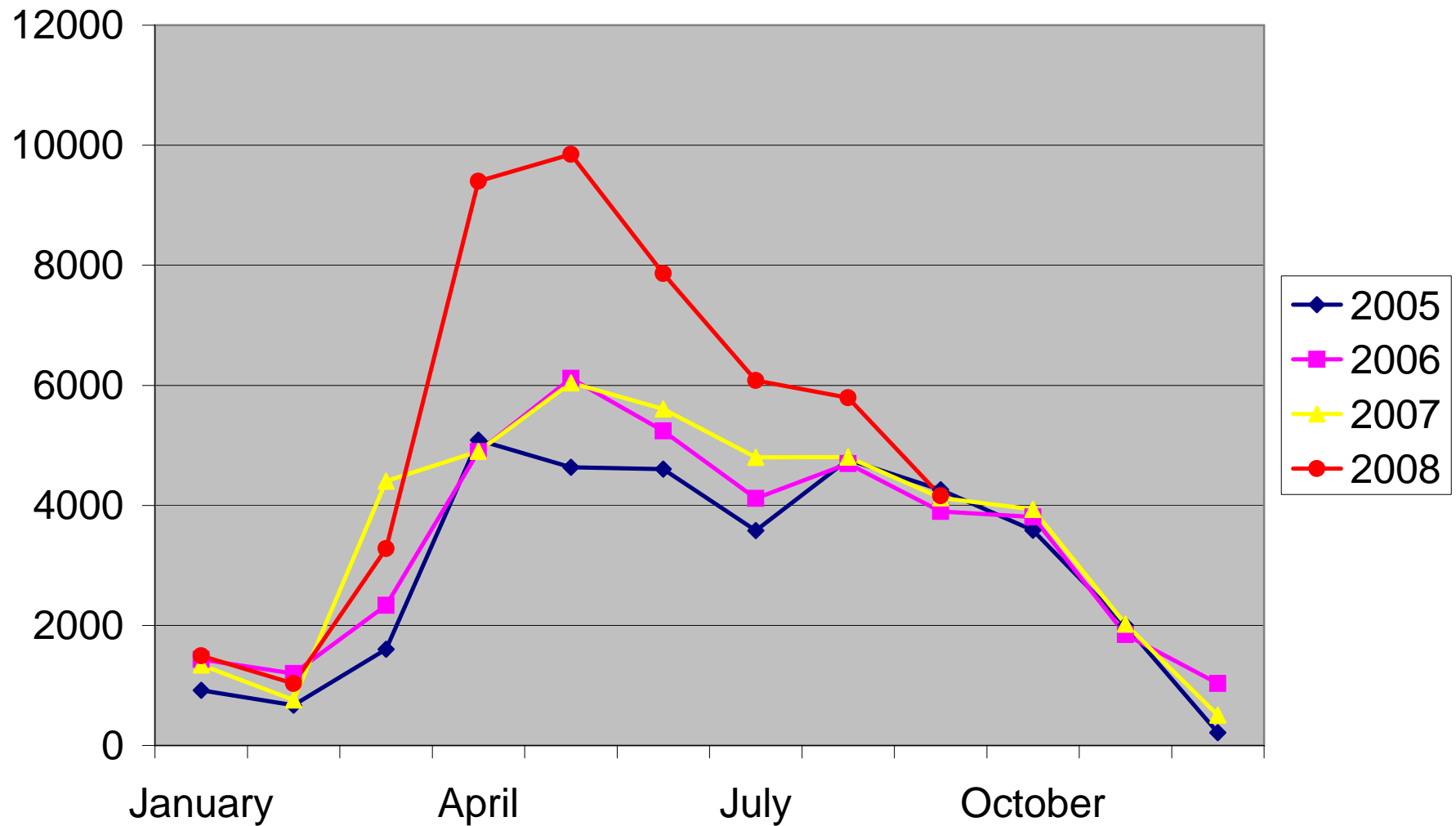
Subscribed and sworn to before me this 24th day of October 2008.





Notary Public

Laclede CWR - Non-Pay Disconnects



Laclede - CWR Uncollectibles

