

Exhibit No.:  
Issues: Consumer Perception  
Witness: Carol Gay Fred  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Surrebuttal Testimony  
File No.: GR-2014-0007  
Date Testimony Prepared: April 3, 2014

**MISSOURI PUBLIC SERVICE COMMISSION  
ADMINISTRATION & REGULATORY POLICY  
CONSUMER SERVICES UNIT**

**SURREBUTTAL TESTIMONY**

**OF**

**CAROL GAY FRED**

**MISSOURI GAS ENERGY  
A DIVISION OF LACLEDE GAS**

**FILE NO. GR-2014-0007**

*Jefferson City, Missouri  
April 2014*

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**MISSOURI GAS ENERGY A DIVISION OF LACLEDE GAS**

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**SURREBUTTAL TESTIMONY**

**OF**

**CAROL GAY FRED**

**MISSOURI GAS ENERGY A DIVISION OF LACLEDE GAS**

**FILE NO. GR-2014-0007**

Q. Please state your name and business address

A. My name is Carol Gay Fred, and my business address is 200 Madison Street, Suite 800, Jefferson City, MO 65101.

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

A. I am the Consumer Services Unit Manager for the Missouri Public Service Commission (Commission or MoPSC).

**Background of Witness**

Q. Have you previously filed testimony before this Commission?

A. Yes. I have filed testimony before the Commission on several occasions during my twenty-seven (27) year tenure with the Commission in my previous capacity as a Rate and Tariff Examiner II in the Telecommunications Department and in my current capacity as Consumer Services Unit Manager over the last twelve (12) years.

Q. Were you involved in Missouri Gas Energy's previous rate case?

A. Yes. I presented testimony on customer service matters in the previous Missouri Gas Energy (MGE) rate case, Case No. GR-2009-0355.

**Purpose of Testimony**

Q. What is the purpose of your surrebuttal testimony?

1           A.     The purpose of my testimony is to clarify the testimony I presented in the  
2 previous MGE rate case on November 2, 2009, as referenced by Barbara A. Meisenheimer of  
3 the Office of the Public Counsel in her Rebuttal and Direct testimony in this case as it relates  
4 to the customer's understanding of the Straight Fixed Variable (SFV) rate design.

5     **Prior Testimony on Straight Fixed Variable Rate Design**

6           Q.     Are you familiar with Ms. Barb Meisenheimer's Rebuttal and  
7 Direct Testimonies in Case No. GR-2014-0007 and more specifically to her answer to the  
8 question, "How Have Consumers Responded to the Straight Fixed variable (SFV)  
9 Rate Design", found on her page 14 beginning with line 1 through line 13 and her general  
10 comment on page 2 of rebuttal testimony?

11          A.     Yes.

12          Q.     Ms. Meisenheimer states in her direct testimony in this case that you testified  
13 before the Commission in GR-2009-0355. Is this correct?

14          A.     Yes.

15          Q.     Regarding Ms. Meisenheimer's testimony and her quote referring to your  
16 testimony in GR-2009-0355, she wrote, "She [Gay Fred] testified that customers appeared  
17 unhappy with the adverse effect of the new SFV rate design and described the overall  
18 customer reaction to the SFV rate design as negative. Ms. Fred also testified that the  
19 Consumer Services Department received a lot of calls complaining of the SFV, but did not  
20 receive a single call in support of the high fixed charge rate design. The negative public  
21 reaction to the high fixed charge is indicative of the negative impact a high fixed charge has  
22 on rate affordability." Do you recall this testimony?

1           A.     Yes, after I reviewed the transcript of my testimony in the 2009 rate case to  
2 refresh my memory.

3           Q.     Do you agree with Ms. Meisenheimer's reference to your testimony in  
4 Case No. GR-2009-0355?

5           A.     No. In both my written report and verbal testimony in the 2009 rate case,  
6 I primarily addressed the Consumer Services Department receipt of Consumer Comment  
7 Cards received from MGE consumers regarding the rate proposal requested by MGE.  
8 Therefore, I was asked a number of questions by the Commissioners, the Office of Public  
9 Counsel (OPC), Staff Counsel and Missouri Gas Energy regarding our process and my  
10 thoughts on what the customer's perspective was as it related to the rate increase proposal  
11 and SFV.

12          Q.     Can you elaborate?

13          A.     Yes, as Ms. Meisenheimer stated, the Commission's Consumer Services  
14 Department received and read approximately 12,000 comment cards regarding MGE's  
15 proposed 2009 rate increase. As she stated, I did read approximately 9,000 of the 12,000  
16 comment cards received. However, she mischaracterized the reference that I testified that  
17 customers appeared unhappy with the adverse effect of the new SFV rate design.

18          Q.     How so?

19          A.     In MGE's 2009 rate case, I submitted a written report on Staff's experience  
20 with the receipt of the MGE public comment cards, which advised consumers of the  
21 Local Public Hearing dates and locations, the monthly proposed rate increase, proposed  
22 miscellaneous charges, and a statement that the MGE proposal would continue the same rate

1 design for residential customers as approved by the Commission in 2006. I also explained in  
2 the Staff report the Consumer Confusion and the Impact of Receipt of Comments on the Staff.

3 In addition to the written report, I was asked a number of questions by the  
4 Commissioners, the Office of the Public Counsel (OPC), Staff Counsel and Missouri Gas  
5 Energy regarding our process and my thoughts on what the customers' perspective was as it  
6 related to the rate increase proposal and SFV. It was during this testimony that I was asked a  
7 number of questions by the then-Chairman Clayton, and former Commissioners Davis and  
8 Jarrett regarding our process in handling the comment cards, our lack of analysis of the  
9 comments, and the perspective or our interpretation of the customers' comments. It was also  
10 during this line of questioning that I was asked the question regarding my overall impression  
11 from customer comments regarding the change to the straight fixed variable rate design and  
12 whether it had been positive or negative. Many of these questions dealt with  
13 customer perception.

14 Q. Can you provide an example?

15 A. Yes. Former Chairman Clayton asked the question, "Do you think the straight  
16 fixed variable rate design is working well from a customer perspective?" My response was,  
17 "I think from a customer perspective, they're totally confused, literally confused. I don't  
18 know that I believe the company is doing a very good job at educating them well on this.  
19 I think we could all do more in educating the customers on what the purpose of it is."  
20 Another example from Commissioner Davis: "Is it a general impression that people are just  
21 opposed to any kind of rate increase in general at this time?" My response was, "Today's  
22 economy, everyone's opposed to any kind of rate increase." When former Commissioner  
23 Jarrett asked, "Now, when people would call in about this straight fixed variable rate design,

1 | what was their complaint? Were they complaining about their rate design or were they just  
2 | complaining about this new charge that was showing up on their bill and they didn't  
3 | understand it?" My response was, "They were primarily complaining about this new charge  
4 | on the bill, they didn't understand it, wanted to know why it was separated like it was because  
5 | that's not how they saw it before. So it was really confusing on what was appearing on  
6 | their bill."

7 | Q. Did you also testify that most customers don't even understand rate design and  
8 | they don't realize the various components to rate design?

9 | A. Yes.

10 | Q. Do you still believe that customers don't understand rate design or may  
11 | be confused?

12 | A. Yes, the majority of the customers don't understand rate design and more  
13 | specifically SFV. However, with the decoupling or unbundling of charges that appear on  
14 | customers' bills today, customers can easily identify the fixed service charges from the  
15 | volumetric commodity charges associated with their service.

16 | Q. Presuming that you are in contact with MGE's customers more than any other  
17 | party, other than the Company itself, do you believe customers are adjusting to the changes on  
18 | their bills from the 2009 time frame?

19 | A. Yes. Customers are not asking as many questions as they were after the 2009  
20 | rate case and when SFV was first introduced. Customers have had a chance to get used to the  
21 | straight fixed variable billing for the last several years. I believe changing back to a  
22 | volumetric rate design, the kind advocated by Public Counsel in this case, would cause  
23 | confusion again and further confuse consumers more – especially during periods of high gas

1 usage such as in the severe winter they just experienced. That would result in extremely high  
2 gas bills. These high gas costs would pose great hardship on customers trying to pay  
3 their bills.

4 Q. Can you tell me how many public comments you have received to date on  
5 this case?

6 A. Six hundred forty-five (645).

7 Q. Can you summarize what the majority of the comments have been?

8 A. I have not done a thorough analysis of the public comments received in this  
9 case, however, it appears from doing a quick review of the public comments in EFIS, that the  
10 majority of the comments have simply indicated that they are opposed to the rate increase.

11 Q. Does this conclude your surrebuttal testimony?

12 A. Yes.

13



**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Missouri Gas Energy, Inc.'s                    )  
Filing of Revised Tariffs to Increase its                    )  
Annual Revenues for Natural Gas                                )            Case No. GR-2014-0007

AFFIDAVIT OF CAROL GAY FRED

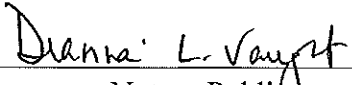
STATE OF MISSOURI        )  
  )        ss:  
COUNTY OF COLE        )

Carol Gay Fred, on his oath states: that she has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 6 pages to be presented in the above case; that the answers in the foregoing Surrebuttal 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 3rd day of April, 2014.

**DIANNA L. VAUGHT**  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: June 28, 2015  
Commission Number: 11207377

  
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Notary Public