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RICHARD T. CIOTTONI

November 19, 2002

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

FILED⁴
NOV 19 2002

Missouri Public
Service Commission

Re: Case No. GT-2003-0117

Dear Mr. Roberts:

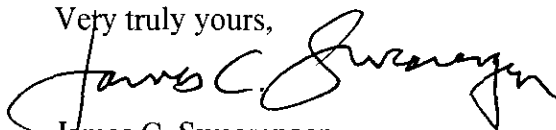
Enclosed for filing with the Missouri Public Service Commission in the referenced case on behalf of Laclede Gas Company please find an original and eight (8) copies of the direct testimony and schedules of Michael T. Cline, John Moten, Jr., and James A. Fallert.

Would you please see that this filing is brought to the attention of the appropriate Commission personnel.

A copy of this filing is being provided to all parties.

I thank you in advance for your cooperation in this matter.

Very truly yours,


James C. Swearengen

JCS/lar

Enclosure

cc: Dan Joyce
John Coffman
Ronald Molteni

Exhibit No.:

Issue:

**Similarity of the Program
to other Commission
approved programs**

Witness:

Michael T. Cline

Type of Exhibit:

Direct Testimony

Sponsoring Party:

Laclede Gas Company

Case No.:

GT-2003-0117

Date:

November 19, 2002

LACLEDE GAS COMPANY

GT-2003-0117

DIRECT TESTIMONY

OF

MICHAEL T. CLINE

FILED⁴
NOV 19 2002
Missouri Public
Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing of)
Laclede Gas Company to Implement)
An Experimental Low Income Assistance)
Program called Catch-Up/Keep-Up) Case No.GT-2003-0117

A F F I D A V I T

STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

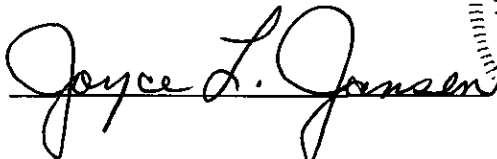
Michael T. Cline, of lawful age, being first duly sworn, deposes and states:

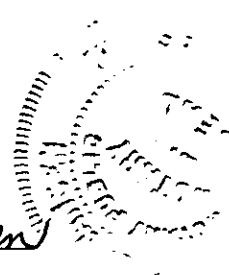
1. My name is Michael T. Cline. My business address is 720 Olive Street, St. Louis, Missouri 63101; and I am Director - Tariff and Rate Administration of Laclede Gas Company.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony, including all Schedules attached thereto.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.



Michael T. Cline

Subscribed and sworn to before me this 18th day November, 2002.





JOYCE L. JANSEN
Notary Public — Notary Seal
STATE OF MISSOURI
ST. CHARLES COUNTY
My Commission Expires: July 2, 2005

DIRECT TESTIMONY OF MICHAEL T. CLINE

1 Q. Please state your name and address?

2 A. My name is Michael T. Cline and my business address is 720 Olive Street, St.
3 Louis, Missouri 63101.

4 Q. What is your present position?

5 A. I am Director of Tariff and Rate Administration at Laclede Gas Company
6 ("Laclede" or "Company").

7 Q. Please state how long you have held your present position, and briefly describe
8 your responsibilities.

9 A. I was promoted to my present position in August 1999. In this position I am
10 responsible for preparing, filing and administering Laclede's tariffs that are on file
11 with the Missouri Public Service Commission (the "Commission"), including
12 tariffs that are similar in nature to those filed by the Company on September 23,
13 2002 to implement the Company's proposed "Catch-Up/Keep-Up" Program (the
14 "Program"). In addition, I perform analyses pertaining to Laclede's purchased
15 gas costs and various federal and state regulatory matters that affect Laclede.

16 Q. What is your educational background?

17 A. I graduated from St. Louis University in May 1975, with the degree of Bachelor
18 of Science in Business Administration, majoring in economics.

19 Q. Please describe your experience with Laclede.

20 A. I joined Laclede in June 1975 and have held various positions in the Budget,
21 Treasury, and Financial Planning departments of the Company. In 1987, I began
22 work in areas related to many of my duties today.

1 Q. Have you previously submitted testimony before regulatory bodies?

2 A. Yes. I have testified numerous times before this Commission. In addition, I have

3 testified before the Illinois Commerce Commission and the Federal Energy

4 Regulatory Commission.

5 Q. What is the purpose of your testimony?

6 A. The purpose of my direct testimony is to demonstrate that the Program does not

7 require the Commission to venture into new or uncharted territory. To the

8 contrary, every single feature of the Program is solidly rooted in programs

9 previously approved by the Commission.

10 Q. Please explain.

11 A. First, the main crux of the Program, monetary grants afforded to individual

12 customers based on their eligibility for assistance under low-income guidelines, is

13 indistinguishable from "weatherization" and other programs that have previously

14 been approved by the Commission. Likewise, the funding source of the Program,

15 a share of the discounts Laclede receives from out-of-state pipeline operators,

16 mimics programs that have previously been approved by the Commission over the

17 years for gas utilities, including Laclede.

18 Q. How does the Program benefit low-income customers?

19 A. In short, a low-income customer with an arrearage to Laclede may have the

20 arrearage reduced by up to \$375 per quarter if the customer qualifies by, among

21 other things, making three consecutive timely payments of the customer's gas bill,

22 applying for other forms of energy assistance, and agreeing to implement where

feasible cost-free energy conservation measures designed to reduce energy consumption.

Q. Are there other low-income programs with similar features?

A. Yes. First, Laclede itself has a Weatherization Program, tariffed at Sheets R-44 to R-46, attached hereto as Schedule MTC-1. Like the Program, Laclede's Weatherization Program is directed at low-income customers with large arrearages, and is intended to reduce energy consumption to lessen the level of arrearages. However, the Weatherization Program affords grants of up to \$3000 per customer (with an expected average of \$2000), a much larger sum than is contemplated by the Program. Further, the Weatherization Program does not place obligations on the customer to qualify for the grant.

Q. Do other utilities also have weatherization programs?

A. Yes. Missouri Gas Energy ("MGE") has had a program in place since implementation of its stipulation and agreement in Case No. GR-96-285 (*See* MGE Tariff Sheets 96 and 97, attached hereto as Schedule MTC-2). Like Laclede's weatherization program, MGE's program is also directed at lower income customers with high usage and/or bad debts. Grants under the MGE program average around \$1750, and like Laclede's, have a ceiling of \$3000 per customer. AmerenUE also has a weatherization program for its gas operations as a result of its Unanimous Stipulation and Agreement in Case No. GR-2000-512. Finally, the settlement of AmerenUE's electric complaint case, Case No. EC-2002-1, created a new weatherization program, the terms of which are to be

1 worked out through a collaborative effort of interested parties (*See* the Report
2 and Order in EC-2002-1 issued on July 25, 2002).

3 Q. Do utilities have programs other than weatherization programs that also benefit
4 low-income customers?

5 A. Yes.

6 Q. Are these programs similar to the Program?

7 Yes they are. For example, MGE has tariffed an Experimental Low Income Rate
8 ("ELIR"), a copy of which is attached hereto as Schedule MTC-3. Like the
9 Program, the ELIR requires customers to pay their current gas bill and apply for
10 other energy assistance. A customer who qualifies can receive a credit of up to
11 \$40 per month on the customer's gas bill. As opposed to the Program, which is
12 funded by discounts obtained from pipeline companies, the ELIR is funded by a
13 monthly surcharge assessed on all residential customers.

14 Q. Have Staff and Public Counsel supported any of these weatherization and other
15 low-income programs?

16 A. Yes. They have supported all of them. In addition, as shown in Schedule MTC-4
17 to my direct testimony, both Staff and Public Counsel have also filed testimony
18 supporting or proposing low-income energy assistance programs. Notably, the
19 testimony filed by Public Counsel in one of Laclede's prior rate cases (Case No.
20 GR-92-165) advocated a program that, like the Catch-Up/Keep-Up Program, was
21 focused on reducing customer arrearages.

22 Q. How is Laclede's Program funded?

1 A. As stated above, the Program is funded through a share of the discounts obtained
2 from pipeline operators. Because there is a link between the amount of the
3 pipeline discounts and the Company's financial interests, Laclede is incented to
4 maximize these discounts. Greater discounts benefit the Program's low-income
5 customers who would receive 30% of such discounts up to the \$6 million cap.
6 Greater discounts also benefit all other customers because they receive the
7 remaining 70% of the discounts.

8 Q. Has the Commission previously approved incentive programs based on pipeline
9 discounts for Laclede or any other utilities?

10 A. Yes. Laclede's gas cost incentive mechanism, which existed from 1996 to 2001,
11 included a pipeline discount component, under which Laclede received from 10%
12 to 30% of all or a portion of the discounts it obtained depending on the specific
13 version of the incentive mechanism that was in effect at the time. In contrast to
14 the Program, in which every dollar of the incentive payment would be used to
15 benefit low-income customers, Laclede retained the entire incentive award under
16 this mechanism. Regarding other utilities, MGE's Experimental Gas Cost
17 Incentive Mechanism had a transportation, or pipeline, discount incentive
18 component under which it was permitted to retain a share of the savings secured
19 by MGE as a result of negotiating discounts from the maximum rates charged by
20 its pipeline suppliers. (See MGE Tariff Sheets 24.13-14 attached hereto as
21 Schedule MTC-5). AmerenUE also had a gas cost incentive mechanism with a
22 pipeline discount component, as evidenced in Schedule MTC-6. This mechanism
23 expired on May 31, 2002. (See Case No. GT-2001-635).

1 Q. Were the incentive mechanisms cited above all approved as part of general rate
2 case proceedings?

3 A. No. In some instances, they were approved as part of a general rate case
4 proceeding, while in others they were approved or extended in separate
5 proceedings that focused only on the incentive mechanism. For example, MGE's
6 original gas cost incentive mechanism was initially approved and then extended in
7 a non-rate case proceeding. Similarly, Laclede's original gas cost incentive
8 mechanism was extended and modified in 1999 in a non-rate case proceeding that
9 was devoted exclusively to consideration of the incentive mechanism.

10 Q. One party has criticized Laclede's incentive mechanism in this case because it
11 does not require the Company to achieve a constantly increasing level of pipeline
12 discounts. Is there any reason that an incentive plan should only allow rewards if
13 a historical level of performance can be exceeded year after year?

14 A. No. There is no reason that an incentive plan should be based on the premise that
15 rewards are only appropriate where some historical level of performance has been
16 exceeded. Laclede has consistently argued, and we believe demonstrated, that in
17 a competitive marketplace it is impossible to endlessly ratchet up the level of
18 savings achieved in a particular area -- that in many instances just maintaining a
19 historical level of discounts is a significant achievement. Thus, where
20 performance remains steady, there is no reason that the incentive award cannot or
21 should not be provided. Moreover, it is also important to recognize that the
22 Commission has considerable discretion in determining what level of incentive is
23 appropriate. Through the years, it has approved incentive programs for Laclede

1 alone under which it has permitted the Company to retain anywhere from 10% to
2 60% of the savings or revenues achieved in a specific area. There is no hard and
3 fast set of criteria to govern how these percentages are or should be fixed. They
4 can and must be based on the facts and circumstances of each situation, as those
5 facts and circumstances change from time to time. In view of the purposes to be
6 served by the Catch-Up/Keep-Up Program and its potential to benefit both the
7 Company's most vulnerable customers as well as those customers who will not be
8 participating in the Program, the sharing percentages proposed by the Company
9 for the Program certainly fall within a reasonable range.

10 Q. Does an incentive plan that uses pipeline discounts to fund a low-income program
11 effectively force the general customer population to make a charitable donation to
12 low-income customers?

13 A. No. First, until October 2001, Laclede, like other Missouri local distribution
14 companies ("LDCs"), was allowed to keep for itself a portion of the pipeline
15 discounts it achieved. The mere fact that Laclede has proposed to use these funds
16 instead to help low-income customers reduce their arrearages to the Company
17 does not convert them into a charitable contribution. Moreover, to the extent the
18 Program does result in a reduction in arrearages or other costs, it will also serve to
19 reduce the Company's uncollectible expense costs below the level that would
20 have been incurred in the absence of the Program. This is the second reason why
21 the Program is not a forced charitable contribution. Under regulatory ratemaking,
22 Laclede's uncollectible expenses are a cost of doing business and are therefore
23 included in rates paid by all ratepayers. To the extent this cost is reduced, all

1 ratepayers benefit. Further, the fact that Program participants must make three
2 payments to receive the benefit acts as an incentive for such customers to meet
3 some of their obligations, which may further reduce bad debts.

4 Q. The Program combines the elements of other low-income or pipeline discount
5 incentives in a new way. Is that important?

6 A. Actually, yes. Since the Program is an experiment, it is entirely appropriate that it
7 use and combine different elements of programs that have previously been
8 approved by the Commission. A program that involves a different level of
9 rewards or is funded from different sources or creates different incentives can act
10 as a learning tool for policy makers. In this case, while every individual feature
11 of the Program is solidly rooted in programs previously approved by the
12 Commission, the unique combination of features provides a valuable opportunity
13 to experiment with low-income programs, while simultaneously doing something
14 truly meaningful for customers who require assistance now.

15 Q. Does this conclude your direct testimony?

16 A. Yes, it does.

17

Laclede Gas Company

Name of Issuing Corporation or Municipality

For

Refer to Sheet No. R-1

Community, Town or City

RULES AND REGULATIONS

34. Weatherization Program

Description and Availability: In accord with this tariff, and pursuant to the terms and conditions of stipulations and agreements filed and approved in Rate Case No. GR-2001-629, the Company will provide \$300,000 annually (the program funds) for a residential weatherization program, including energy education, for lower income customers. The program will allocate the entirety of this annual amount to social service agencies (the "Agencies") serving the St. Louis City and one or more of the surrounding Counties of St. Louis, St. Charles, Crawford, Jefferson, Franklin, Iron, Ste. Genevieve, St. Francois, Madison and Butler in Eastern Missouri which comprise the Company's service territory, in accordance with an allocation method agreed upon by the Company, Staff and Public Counsel. Payments to the Agencies of at least one fourth of this amount will commence within thirty days of the date this tariff becomes effective with equivalent payment amounts being made at the end of each three month period thereafter. The program will be administered pursuant to written contract between Laclede and the Agencies.

Purpose: This program is intended to assist eligible customers through conservation, education and weatherization in reducing their use of energy and thereby lessen the level of arrearages experienced by such customers and potentially the level of uncollectibles experienced by the Company.

Terms and Conditions:

1. The program will offer grants for weatherization services to customers eligible under low-income guidelines. Grant assistance will be primarily directed to lower income customers with high usage and/or large arrearages. The Company will assist the Agencies in identifying such customers by providing information, on a confidential basis, specifying customers who have high usage and arrearage levels.
2. The total amount of grants offered to a customer through the program will be determined by the cost-effective improvements that can be made to a customer's residence, which shall not exceed \$3,000, and is expected to average \$2,000, exclusive of administrative costs.
3. Program funds cannot be used for administrative costs except those incurred by the Agencies that are directly related to qualifying and assisting customers under this program. The amount of reimbursable administrative costs per participating household shall not exceed \$300 for each participating household.

DATE OF ISSUE February 28, 2002
Month Day Year

DATE EFFECTIVE March 31, 2002
Month Day Year

ISSUED BY K.J. Neises, Executive Vice President, 720 Olive St., St. Louis, MO 63101
Name of Officer Title Address

P.S.C. MO. No. 5 Consolidated, Original Sheet No. R-45
CANCELLING All Previous Schedules

Schedule MTC-1
Page 2 of 3

Laclede Gas Company
Name of Issuing Corporation or Municipality

For

Refer to Sheet No. R-1
Community, Town or City

RULES AND REGULATIONS

34. Weatherization Program (continued)

4. As a term of its contract with the Agencies, the Company agrees that it and the Agencies will consult with Staff, Public Counsel and the Department of Natural Resources (and any other party agreeable to Company, Staff and Public Counsel) during the term of the program.
5. The program will continue until the effective date of an order of the Commission approving rates in the Company's next general rate case filed after the effective date of this tariff, unless otherwise ordered by the Commission. With the assistance of the Agencies, the Company shall submit reports on the program to the Staff, Public Counsel, and the Department of Natural Resources on a quarterly basis reflecting the information provided to the Company by the Agencies in their quarterly reports. Within thirty days of receiving the most recent quarterly report from the Agencies following the end of each year of the program, the Company shall also submit an annual report. Each annual report will address the progress of the program, and provide an accounting of the funds received and spent on the program during the preceding program year. The report will include the following information with breakdowns for each of the participating Agencies.
 - a. Program funds provided by Laclede.
 - b. Amount of program funds, if any, rolled over from previous program year.
 - c. Amount of administrative funds retained by the Agency.
 - d. Number of weatherization jobs completed and total cost (excluding administrative funds) of jobs completed.
 - e. Number of weatherization jobs "in progress" at the end of the program year.
 - f. To the extent available, information detailing efficacy and impact of weatherization measures on attaining the goals of the program. To that end, the contract with the Agencies shall require that the NEAT audit printout and itemization of the costs for each measure installed and each administrative cost incurred for each job be provided to the Company.

The report shall be subject to audit by the Commission Staff and Public Counsel.

DATE OF ISSUE February 28, 2002
Month Day Year

DATE EFFECTIVE March 31, 2002
Month Day Year

ISSUED BY K.J. Neises, Executive Vice President, 720 Olive St., St. Louis, MO 63101
Name of Officer Title Address

P.S.C. MO. No. 5 Consolidated, Original Sheet No. R-46
CANCELLING All Previous Schedules

Schedule MTC-1

Page 3 of 3

Laclede Gas Company

Name of Issuing Corporation or Municipality

For

Refer to Sheet No. R-1

Community, Town or City

RULES AND REGULATIONS

34. Weatherization Program (continued)

Each Agency may carry-over for use in a subsequent year up to 10% of any unspent funds allocated to the Agency during any program year. Any unspent funds in excess of the 10% level shall be transmitted to Laclede for reallocation to other Agencies. If an Agency has unspent funds at the time the program terminates, then such funds shall be transmitted to Laclede. Laclede thereafter shall credit the amount of the unspent funds, plus any unspent funds retained by Laclede, to its purchased gas cost refund account and flow such amounts back to ratepayers under the Company's Purchased Gas Adjustment clause.

6. Laclede Agency Agreement: Staff, Public Counsel, and Laclede agree that its Agency Agreement will provide that any controversy, complaint, claim or dispute arising out of or relating to the agreement between the Agencies and Laclede shall be settled by compulsory arbitration before the Commission. Staff, Public Counsel, the Agency or Laclede may file a request for such arbitration in accord with Commission rules or an agreed upon procedure. If no procedure is provided in the rules or agreed to within 30 days of the request, then the same shall be governed by the rules of the American Arbitration Association. Pending the outcome of the arbitration, and unless otherwise ordered by the Commission, Laclede may withhold from the Agency so much of the program fund installment(s) owed under the agreement that are relevant to the dispute, or otherwise so much of the program funds that will protect Laclede's interests.

DATE OF ISSUE February 28, 2002
Month Day Year

DATE EFFECTIVE March 31, 2002
Month Day Year

ISSUED BY K.J. Neises, Executive Vice President, 720 Olive St., St. Louis, MO 63101
Name of Officer Title Address

P.S.C. MO. No. 1
 Canceling P.S.C. MO. No. 1

Third Revised
Second Revised

SHEET No. 96
 SHEET No. 96

Missouri Gas Energy,
 a Division of Southern Union Company

For: All Missouri Service Areas

PROMOTIONAL PRACTICES

PP

WEATHERIZATION PROGRAM

Description and Availability: In accord with this tariff, and pursuant to the terms and conditions of stipulations and agreements filed and approved in Case Nos. GR-96-285 and GR-2001-292, the Company will provide \$340,000 annually (the program funds) for a residential weatherization program, including energy education, primarily for lower income customers. The program will allocate \$250,000 of the annual funds to City of Kansas City, Missouri, including the counties of Clay, Platte, and Jackson. The Kansas City program will be administered by the City pursuant to written contract, currently in effect between Kansas City and MGE. The remainder of the program funds totaling \$90,000 will be administered throughout the rest of the MGE service territory by Social Agencies approved by MGE.

Purpose: This program is intended to assist customers through conservation, education and weatherization in reducing their use of energy and to reduce the level of bad debts experienced by the Company.

Terms and Conditions:

1. The program will offer grants for weatherization services to eligible customers. The program will be primarily directed to lower income customers with high usage and/or bad debts.
2. The total amount of grants offered to a customer will be determined by the cost-effective improvements that can be made to a customer's residence, which shall not exceed \$3,000, and is expected to average \$1,750.
3. Program funds cannot be used for administrative costs except those incurred by the City of Kansas City and other Social Agencies that are directly related to qualifying and assisting customers under this program. The amount of reimbursable administrative costs per participating household shall not exceed \$300 for each participating household.
4. The City of Kansas City, the Social Agencies and the Company agree to consult with Staff and Public Counsel (and any other party agreeable to Company, Staff, Public Counsel and the City) during the term of the program.

DATE OF ISSUE July 16, 2001
 month day year

DATE EFFECTIVE August 06, 2001
 month day year

ISSUED BY: Robert J. Hack Vice President, Pricing and Regulatory Affairs

Missouri Gas Energy, Kansas City, MO. 64111

P.S.C. MO. No. 1
 Cancelling P.S.C. MO. No. 1
 Missouri Gas Energy,
 a Division of Southern Union Company

Second Revised
First Revised

For: All Missouri Service Areas

PROMOTIONAL PRACTICES

PP

5. This program will continue until the effective date of an order of the Commission in the Company's next general rate case, unless otherwise ordered by the Commission. With the primary assistance of the City of Kansas City and the other participating Social Agencies, the Company shall submit a report on the program to the Staff, and Public Counsel on or before April 15, 2002 and on the same date for each succeeding year in which the program continues. Each report will address the progress of the program, and provide an accounting of the funds received and spent on the program during the preceding calendar year. The report will include the following information with breakdowns for the city of Kansas City and each of the other participating social agencies:

- a. Program funds provided by MGE.
- b. Amount of program funds, if any, rolled over from previous year.
- c. Amount of administrative funds retained by the social agency.
- d. Number of weatherization jobs completed and total cost (excluding administrative funds) of jobs completed.
- e. Number of weatherization jobs "in progress" at the end of the calendar year.

The report shall be subject to audit by the Commission Staff and Public Counsel. To the extent that \$340,000 exceeds the total cost expended on the program, the amount of the excess shall be "rolled over" to be utilized for the weatherization program in the succeeding year, excepting that if there is an excess at the time the program terminates, the amount of excess shall be transmitted to MGE. MGE thereafter shall credit the amount of the excess to its refund account under the experimental gas cost incentive mechanism and flow that excess back to ratepayers under that mechanism.

6. MGE, City, and Social Agency Agreement: Staff, Public Counsel, the City, the Social Agencies and MGE agree that any controversy, complaint, claim or dispute arising out of or relating to the agreement between the City, Social Agencies and MGE shall be settled by compulsory arbitration before the Commission. Staff, Public Counsel, the City Social Agencies or MGE may file a request for such arbitration in accord with Commission rules or an agreed upon procedure. If no procedure is provided in the rules or agreed to within 30 days of the request, then the same shall be governed by the rules of the American Arbitration Association. Pending the outcome of the arbitration, and unless otherwise ordered by the Commission, MGE may withhold from the City or Social Agency so much of the program fund installments(s) owed under the agreement that are relevant to the dispute, or otherwise so much of the program funds that will protect MGE's interests

DATE OF ISSUE July 16, 2001
 month day year

DATE EFFECTIVE August 06, 2001
 month day year

ISSUED BY: Robert J. Hack

VP, Pricing and Regulatory Affairs

Missouri Gas Energy, Kansas City, MO. 64111

P.S.C. MO. No. 1
Canceling P.S.C. MO. No. 1

Original

Missouri Gas Energy,
a Division of Southern Union Company

For: All Missouri Service Areas

EXPERIMENTAL LOW INCOME RATE (ELIR)

GENERAL

The Experimental Low Income Rate (ELIR) was approved by the Commission in Case No. GR-2001-292. The ELIR will, on a pilot basis, provide up to 1,000 participants in the Joplin area with a fixed credit on their monthly MGE bill (ELIR credit). Participants taking service under the ELIR shall receive the ELIR credit for a period up to twenty-four months from the billing cycle designated by MGE as the participant's first for the ELIR until the billing cycle designated as the participant's last for the ELIR.

DEFINITIONS

Low-income residential customer – An MGE customer receiving service under the RS rate (Tariff Sheet No. 25) who is classified as low-income by the Missouri Department of Social Services.

Applicant – A low-income residential customer who submits an ELIR application form for the ELIR credit.

Participant – An applicant who agrees to the terms of the ELIR and is accepted by MGE.

AVAILABILITY

Service under this rate schedule shall be available to up to one thousand participants in the Joplin area who satisfy the following criteria:

1. Applicant must be an MGE individual residential customer using natural gas for space heating and receiving service under the RS rate.
2. Applicant's annual income must be verified initially and annually thereafter as being no greater than 100 percent of the federal poverty level.

DATE OF ISSUE October 1, 2001
month day year

DATE EFFECTIVE November 1, 2001
month day year

ISSUED BY: Robert J. Hack

VP, Pricing and Regulatory Affairs
Missouri Gas Energy, Kansas City, MO. 64111

P.S.C. MO. No. 1
Canceling P.S.C. MO. No. 1

Original

Missouri Gas Energy,
a Division of Southern Union Company

For: All Missouri Service Areas

EXPERIMENTAL LOW INCOME RATE (ELIR)

3. For purposes of determining the level of the ELIR credit to be received, the applicants will be categorized as follows:
 - a. Group A –Applicants whose annual income has been verified as being from 0 to 50 percent of the federal poverty level.
 - b. Group B –Applicants whose annual income has been verified as being from 51 to 100 percent of the federal poverty level.
4. Applicants shall be required to enroll in MGE's ABC Plan (Average Bill Calculation Plan, Tariff Sheet Nos. R-47 – R-48B) with adjustments to said plan limited to once per year.
5. Applicants who have outstanding arrearages shall enter special pay agreements through which the arrearages shall be paid over a period of 12, 24 or 30 months mutually agreed to by both the Company and the Applicant.
6. Applicants shall agree to an interview or questionnaire related to their energy use. Any information provided in these interviews or questionnaires that is later made public will not be associated with the applicant's name.
7. Any provision of the Company's rules and regulations applicable to the Company's RS customers will also apply to ELIR participants.

ENERGY ASSISTANCE

1. Applicants who have not previously completed an application for a LIHEAP ("Low Income Home Energy Assistance Program") grant agree to apply for a LIHEAP grant when such grants become available.
2. Applicants agree to apply for any other energy assistance programs, if available, as referred to by the Company.

DATE OF ISSUE October 1, 2001
month day year

DATE EFFECTIVE November 1, 2001
month day year

ISSUED BY: Robert J. Hack

VP, Pricing and Regulatory Affairs
Missouri Gas Energy, Kansas City, MO. 64111

P.S.C. MO. No. 1
Canceling P.S.C. MO. No. 1

Original

Missouri Gas Energy,
a Division of Southern Union Company

For: All Missouri Service Areas

EXPERIMENTAL LOW INCOME RATE (ELIR)

CREDIT AMOUNT

Participants in the ELIR will receive the ELIR credit for which the participant qualifies for up to 24 months so long as the participant continues to meet the requirements of the ELIR tariff.

Up to 1,000 participants shall receive the ELIR credit in the following amounts:

Group A - Up to a maximum of \$40 per month (not to exceed the participant's fixed monthly ABC payment).

Group B - Up to a maximum of \$20 per month (not to exceed the participant's fixed monthly ABC payment).

DISCONTINUANCE AND REINSTATEMENT

MGE may discontinue a participant's ELIR credit for any of the following reasons:

- in
1. If MGE determines the participant no longer meets the guidelines set forth this tariff.
 2. If the participant submits a written request to MGE asking that the ELIR credit be discontinued.
 3. If the participant does not keep current with ABC payments.
 4. If the participant does not keep current with arrearage payments.
 5. If the participant does not fulfill the terms of the ELIR application or the ELIR tariff.
 6. If the participant does not conform to MGE's RS rules and regulations, and as a result the participant has RS service discontinued by MGE.

Reinstatement of the ELIR credit will be at the discretion of MGE.

DATE OF ISSUE October 1, 2001
month day year

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month day year

ISSUED BY: Robert J. Hack

VP, Pricing and Regulatory Affairs
Missouri Gas Energy, Kansas City, MO. 64111

P.S.C. MO. No. 1
Canceling P.S.C. MO. No. 1
Missouri Gas Energy,
a Division of Southern Union Company

Original

For: All Missouri Service Areas

EXPERIMENTAL LOW INCOME RATE (ELIR)

MISAPPLICATION OF THE ELIR CREDIT

Providing incorrect information to the agency to obtain the ELIR credit shall constitute a misapplication of the ELIR credit. If this occurs MGE may discontinue the ELIR credit and rebill the account for the amount of all ELIR credits received by the participant. However, nothing in this experimental tariff shall be interpreted as limiting MGE's rights under any provisions of any applicable law or tariff.

OTHER CONDITIONS

ELIR participation and the overall ELIR program shall be designed so that MGE neither profits from nor incurs losses. Projected expenditures on the program should equal the projected revenue from the 24-month \$0.08/month surcharge on the RS customers (Tariff Sheet 25). The program will be designed so that Group A will have at least 200 participants and similarly Group B will have at least 200 participants. MGE will gather participant data on usage, arrears, payments and other relevant factors, which will be combined with the data provided by the agency, to enable the evaluation of the program. MGE shall make non-confidential data, as well as any and all program evaluations that are conducted, available to interested parties. If any actual surcharge revenue in excess of actual program expenses remains at the end of the ELIR program and evaluation, MGE shall contribute an amount equal to the surplus revenue to the Mid America Assistance Coalition.

DATE OF ISSUE October 1, 2001
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VP, Pricing and Regulatory Affairs
Missouri Gas Energy, Kansas City, MO. 64111

Direct Testimony of
Ryan Kind

1 A. First, as Mr. Cline noted on page 12 of his testimony regarding
2 Laclede's last rate case (Case No. GR-90-120), "not only did the
3 large customers avoid any allocation of the \$12.0 million rate increase
4 Laclede was authorized in that case, such customers also received a
5 rate reduction amounting to approximately \$2.2 million." Indeed,
6 General Service rates rose by more than Laclede's \$12 million overall
7 increase.

8 Second, except for General Service, all of Laclede's customer
9 classes are so small relative to the entire company that a COS study
10 cannot be expected to yield precise results. I cannot be absolutely
11 sure of the results that OPC's COS study showed for any of the
12 customer classes other than General Service. Because of this, the
13 results of OPC's COS study for classes other than General Service
14 must be interpreted with caution.

15 For these reasons, it does not seem reasonable to once again
16 place the greatest burden of any revenue increase on Laclede's
17 General Service Customers.

18
19 **III. LOW INCOME ENERGY PILOT PROGRAM PROPOSAL**

20 Q. Is Public Counsel proposing a pilot program for Laclede's low-income
21 customers?

22 A. Yes.

23
24 Q. Why?

25 A. Our office has been involved in efforts to assist low-income
26 customers through the Committee to Keep Missourians Warm (Warm

Direct Testimony of
Ryan Kind

1 Committee) and has also been following developments nationwide in
2 the area of low-income energy assistance. The success of low-income
3 energy assistance programs in other states and the crisis that low-
4 income customers could soon face in Missouri have prompted Public
5 Counsel to recommend that the Commission order Laclede to initiate
6 an energy assistance pilot program at this time. The pilot program's
7 purpose would be to investigate the feasibility and effectiveness of
8 some energy assistance measures so that Laclede will be prepared to
9 resolve problems that appear likely to materialize.

10
11 Q. Please describe the conditions associated with providing service to
12 low-income energy customers in Missouri that demonstrate the need
13 for an energy assistance pilot program.

14 A. The following conditions have prompted Public Counsel to propose an
15 energy assistance pilot program at this time:

- 16 1. Low-income customers will have a higher proportion of
17 their limited discretionary income going to pay for
18 utility bills if rates increase significantly as a result of
19 this case. Also, rates for most Missouri LDC customers
20 are likely to increase as a result of the gas supply
21 restructuring caused by FERC Order number 636.
- 22 2. There has been considerable discussion lately about
23 significant budget cuts in Low Income Home Energy
24 Assistance Program (LIHEAP) funding which is the main
25 source of energy assistance for low-income customers.

Direct Testimony of
Ryan Kind

1 3. The slow growth economic climate that currently
2 prevails and the associated high level of unemployment
3 has stressed the ability of some gas customers to afford
4 their heating expenses.

5 4. Increased problems that LDCs face in providing service
6 to low-income customers can lead to increased expenses
7 for all ratepayers as uncollectibles and
8 disconnect/reconnect expenses increase.

9 5. Lacking reliable data on the effectiveness of the
10 implementation of potential remedies in Missouri, the
11 Warm Committee has not yet reached a consensus on
12 solutions to this problem.

13
14 Q. Are you aware of any low-income energy assistance programs in
15 other states?

16 A Yes, Wisconsin has the most experience with low income energy
17 assistance programs. The testimony of OPC witness Alan C. Guyant
18 describes the Early Identification Program that several Wisconsin
19 utilities have used to reduce problems associated with providing
20 service to low-income customers. Mr. Guyant, the Consumer
21 Programs Manager at the Wisconsin Public Service Commission, has
22 extensive experience in the development and implementation of his
23 state's low-income energy assistance program.

24 Either full scale or pilot low-income energy assistance
25 programs have been initiated in other states including Colorado, New
26 York, Rhode Island, and California.

Direct Testimony of
Ryan Kind

1 Q. Has Laclede been active in the low-income energy assistance area?

2 A. Yes, Laclede has been an active participant in the Dollar Help
3 program, a member of the Warm Committee, and a supporter of
4 energy assistance legislation. The Dollar Help program provides
5 financial assistance to customers that cannot pay delinquent heating
6 bills. Evidently Laclede believes their \$48,000 contribution to this
7 program has benefited ratepayers since it is attempting to have the
8 Commission include this contribution as an above-the-line expense in
9 this case.

10 Recently, Laclede supported legislation (HB 1458) that would
11 have mandated a pilot program consisting of arrearage forgiveness
12 and weatherization for low-income customers.

13
14 Q. Does Laclede's testimony in this case address the increasing
15 difficulties associated with providing service to low-income
16 customers?

17 A. Yes, it does. Laclede witness R. Lawrence Sherwin comments on the
18 likelihood of decreased LIHEAP funding and the increased
19 bankruptcies, plant closings, and layoffs which are due to the
20 current economic situation. On page 21 of his testimony, Mr.
21 Sherwin notes the adverse affect of decreased LIHEAP funding by
22 stating "Energy assistance payments affect utility bad debts by
23 enabling recipients to maintain or restore service despite an inability
24 to pay heating bills in full."

25
26 Q. Please describe the pilot program that Public Counsel is proposing.

Direct Testimony of
Ryan Kind

1 A. Public Counsel recommends that the Commission order Laclede Gas
2 Company to design and implement a comprehensive low income energy
3 pilot program. This comprehensive pilot program should explore the
4 feasibility of the following three remedies that have shown potential
5 for reducing the uncollectibles expense of Wisconsin Gas Company:

6 1. An arrearage forgiveness plan that provides a one-time
7 opportunity to have a portion of arrearages eliminated
8 if participants begin to provide consistent payments of
9 current bills over a certain payment period.

10 2. An energy conservation plan that includes mandatory
11 conservation education and weatherization
12 opportunities, where cost effective, for households with
13 a high level of energy consumption.

14 3. A reduced payment plan for participants whose
15 household income (perhaps in combination with other
16 factors) justifies lower charges.

17 We believe Laclede should be ordered to implement a pilot program
18 experiment that will help evaluate the feasibility of all three elements
19 described above since Mr. Guyant's testimony illustrate how all three
20 elements have been successful in Wisconsin. Laclede should select low-
21 income pilot program participants in a statistically random manner so the
22 effectiveness of each of the various remedies can be compared, both
23 independently and in conjunction with each other.

24
25 Q. Does this conclude your testimony?

26 A. Yes, it does.

Exhibit No.:

Issues:

**Alternative
Regulation Plan
AmerenUE's Low
Income Assistance
Program; DNR's Low
Income Weatheriza-
tion Program; and
Energy Efficiency
Services for
Residential and
Commercial
Customers**

Witness: Wess A. Henderson

Sponsoring Party: MO PSC Staff

Type of Exhibit: Surrebuttal Testimony

Case No.: EC-2002-1

Date Testimony Prepared: June 24, 2002

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

WESS A. HENDERSON

UNION ELECTRIC COMPANY d/b/a

AMERENUE

CASE NO. EC-2002-1

**Jefferson City, Missouri
June, 2002**

1 achieve the maximum efficiency possible, without compromising quality of service, in
2 order to increase its overall earnings.

3 Staff proposed that the term of a new experiment would be three years. Due to a
4 need to revisit these experiments on a regular basis due to the dynamic nature of events in
5 the electric industry and regulation in general, Staff would recommend that any future
6 experiment have a three-year term. This time frame allows the experiment to have an
7 adequate period to be effectuated and evaluated while not leaving the plan in place an
8 inordinate amount of time if there are problems occurring that had not been anticipated.

9 Q. Is there any component of the AmerenUE alternative regulation plan
10 (ARP) proposed in the AmerenUE rebuttal testimony that Staff believes should be
11 adopted in this case?

12 A. Yes. Staff would support the establishment of the low income assistance
13 funding and programs as discussed in the rebuttal testimony of two AmerenUE witnesses
14 with two modifications:

15 Mr. Richard J. Mark discusses the low income assistance program in his rebuttal
16 testimony on page 2, lines 22 through page 6, line 4. Mr. Warner L. Baxter discusses the
17 low income assistance program in his rebuttal testimony on page 73, lines 7 through 17
18 and Schedule 1-6, line 7 through page 1-7, line 2.

19 Q. Are there any modifications that Staff would suggest to the program
20 proposed by the Company?

21 A. Yes. Staff would propose that the initial funding of \$5 million would be
22 independent of AmerenUE's ARP proposal. After the first year of this program,
23 \$1 million will be annually added to the low-income fund. This is an extremely

1 important modification since AmerenUE's earnings can be significantly influenced by,
2 among other things, affiliate transactions. Currently, the Company is not operating under
3 the Commission's affiliate transaction rule or a formal interaffiliate code of conduct
4 adopted by the Commission. The \$1 million funding would be continued until such time
5 as the Commission decides to cancel the program. The initial \$5 million funding amount
6 would be amortized over a three-year period or \$1.6 million for each of the first three
7 years. The amount of \$2.6 million should be recorded as a regulatory expense in the
8 Company's books.

9 Q. Did the Staff suggest a low-income assistance program in its discussions
10 with the Company regarding the third EARP?

11 A. Yes. Staff believes that this concept originated with Staff. In the last two
12 EARPs, there were no provisions for funding of a low-income weather assistance
13 program or a "price stabilization fund." Staff proposed this concept in its discussions
14 with AmerenUE regarding a new EARP.

15 Q. Please explain what the Staff means by a price stabilization fund.

16 A. Staff had seen the impact of the extraordinarily high gas prices on the
17 ability of low-income gas customers to pay their gas bills during the abnormally cold
18 winter of 2000-2001. The Staff proposed in its discussions with the Company a price
19 stabilization fund which was designed to provide \$5 million for each sharing credit
20 period to be used to mitigate electric prices for low-income customers due to events such
21 as abnormally cold or abnormally hot weather.

22 Q. Have you read the testimony of Anita C. Randolph from the Department
23 of Natural Resources (DNR) regarding the establishment in this case of a low income

1 weatherization assistance program and a program for utility-based energy efficiency
2 services for residential and commercial customers?

3 A. Yes. I have.

4 Q. Is the Staff supportive of DNR's proposals?.

5 A. Yes. Ms. Randolph states as follows at page 2, lines 8 to 10 of her rebuttal
6 testimony:

7 The Energy Center [of DNR] is seeking commitment by AmerenUE to
8 provide additional funding for weatherization assistance for their low-
9 income residential customers and utility-based energy efficiency services
10 and programs for residential and commercial customers.
11

12 As previously stated in this testimony, after the extremely cold winter of 2000-
13 2001 and the effect it had on low-income households across the state, it became evident
14 that there was a greater need to assist low-income customers respecting the abnormally
15 high cost of heating their homes during extreme cold weather. This program would help
16 people that otherwise would have little or no heat during the winter to have the means to
17 continue to stay in their homes and pay their heating bills.

18 Weatherization assistance, as proposed by DNR, thus would benefit low-income
19 customers. Since many low-income customers live in older, energy inefficient homes,
20 this program would provide funding to help with such items as insulation, new energy
21 efficient appliances, and new energy efficient heating and cooling equipment.

22 Regarding DNR's proposal for utility-based energy efficiency services and
23 programs for residential and commercial customers, DNR identified utility-based energy
24 efficiency services and programs available today such as residential and commercial
25 energy audits, consumer education, and rebates or low-interest loans for the purchase of

P.S.C. MO. No. 1
 Canceling P.S.C. MO. No. 1

Fourteenth Revised
Thirteenth Revised

SHEET No. 24.13
 SHEET No. 24.13

Missouri Gas Energy,
a Division of Southern Union Company
 Name of Issuing Corporation

For: All Missouri Service Areas
 Community, Town or City

FIXED COMMODITY PRICE PGA
FCP

(1) the highest weighted average commodity-related gas cost per Ccf actually incurred by the Company for currently purchased gas supplies in a single season ACA period and

(2) the overall weighted average commodity-related gas cost per Ccf actually incurred by the Company for currently purchased gas supplies and services

in the applicable winter or summer period during the three (3) then most recent ACA periods.

(2) for any Unscheduled Winter PGA Filing, such estimate shall not exceed a per Ccf cost equal to the Company's actual commodity-related gas cost per Ccf for currently purchased gas supplies and services in the month in which such Unscheduled Winter PGA Filing is made.

B. Demand-Related

The Demand Related per Ccf cost component is to be calculated by dividing the annual demand related costs, using the most current FERC and supplier rates, as defined in this section by estimated annual sales as set forth in Section IX of this FCP clause.

III. CALCULATION OF THE TRANSPORTATION AND STORAGE COMPONENT (TSC)

DATE OF ISSUE: April 27, 2001
 month day year

DATE EFFECTIVE: May 27, 2001
 month day year

ISSUED BY: Robert J. Hack Vice President, Pricing and Regulatory Affairs
 Missouri Gas Energy, Kansas City, Missouri 64111

P.S.C. MO. No. 1
 Canceling P.S.C. MO. No. 1

First Revised
Original

SHEET No. 24.14
 SHEET No. 24.14

Missouri Gas Energy,
 a Division of Southern Union Company
Name of Issuing Corporation

For: All Missouri Service Areas
Community, Town or City

FIXED COMMODITY PRICE PGA
FCP

TSC – For the purpose of the FCP, the transportation and storage cost component shall be based on the current cost of contracted pipeline transportation and storage services as of the date of the filing and shall also include the Price Stabilization Charge defined in Section XI of this FCP clause. The Actual Cost Adjustment Account (ACA) shall be credited or debited for the over-recovery or under-recovery to reflect the annual reconciliation of actual purchased pipeline service costs with the recovery of such costs.

- A. Maximum Daily Quantities ("MDQ") – System sales customers and the Company shall share savings from any reduction in the level of contract MDQs in accordance with the Stipulation and Agreement approved by the Commission in its order in Case No. GO-2000-705.
- B. Transportation Rate Discounts – If the Company secures a new transportation discount that produces savings which exceed savings produced by any currently achieved level of discounts, such savings shall be shared between customers and the Company in accordance with the Stipulation and Agreement approved by the Commission in its order in Case No. GO-2000-705.
- C. Mix of Transportation Services – To the extent that the Company achieves transportation savings by use of alternate transportation services, such savings shall be shared between customers and the Company in accordance with the Stipulation and Agreement approved by the Commission in its order in Case No. GO-2000-705.
- D. Transportation and Storage Demand Charge Cost Recovery – recovery of transportation and storage demand charges shall be determined in accordance with the Stipulation and Agreement approved by the Commission in its order in Case No. GO-2000-705. At the end of the ACA period, expense and revenue attributable to these items shall be trued-up to actual.

IV. DEFERRED COST - ACTUAL COST ADJUSTMENT ACCOUNTS

A. Actual Cost Adjustment Account (ACA)

The Company shall establish and maintain a Deferred Cost – Actual Cost Adjustment Account (ACA) which shall be credited with any over-recovery of pipeline service costs, and gas commodity costs if applicable, resulting from the operation of the Company's Fixed Commodity Price PGA procedure or debited for any under-recovery resulting from same. Such over- or under-recovery shall

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month day year

ISSUED BY: Robert J. Hack Vice President, Pricing and Regulatory Affairs
 Missouri Gas Energy, Kansas City, Missouri 64111

UNION ELECTRIC COMPANY

GAS SERVICE

RECEIVED

Applying to _____

MISSOURI SERVICE AREA

JAN 09 1998

RIDER A

PURCHASED GAS ADJUSTMENT CLAUSES

MISSOURI

Public Service Commission

For the Natural Gas Pipeline service area:

Capacity Release RevenuesCompany Retention (%)

First \$1,000

10%

Amounts over \$1,000

30%

- B. Transportation and Storage Discounts. The Company shall debit the IA Account and credit the IR Account for 20% of the firm transportation or storage discounts on any interstate or intrastate pipeline or on any third party storage service provider, including discounts for firm transportation or storage which may be bundled with gas supply. Savings shall accrue to the Company only on transportation and storage discounts which are negotiated after the effective date hereof. Discounts will be determined by a comparison between the rate charged to the Company and the maximum rate approved by the regulatory authority having jurisdiction over the transportation or storage service. In the case of nonregulated third party storage services, discounts will be determined by a comparison with the maximum rate approved by the regulatory authority for the competing regulated storage service. In the event the maximum rates used to initially calculate the debit to the IA Account shall have been approved by the responsible regulatory authority on an interim basis subject to refund, the IA Account will be subsequently adjusted, if necessary, to reflect the finally approved rates for the time during which the interim rates were in effect. "Discounts" shall refer only to price or cost reductions resulting from Company's actions and not to a price or cost reduction provided generally to all customers without such Company action. The Company shall maintain detailed documentation of each negotiated transportation and storage discount which it receives and the Company shall perform a detailed calculation of the savings which resulted from each negotiated discount. The Commission Staff shall audit the Company's calculations and documentation to determine if, at the end of the ACA year, the Company is entitled to its portion of the total savings from any negotiated transportation and storage discounts. If the Commission agrees that Company is entitled to the savings from the negotiated transportation and storage discounts, those savings will then flow back to the Company.

FEB 18 1998
97-393

MISSOURI
Public Service Commission

DATE OF ISSUE January 9, 1998DATE EFFECTIVE February 18, 1998

ISSUED BY _____

C. W. Mueller

President & CEO

St. Louis, Missouri

Name of Officer

Title

Address