

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

TRANSCRIPT OF PROCEEDINGS
HEARING
December 4, 2002
Jefferson City, Missouri
Volume 6

In the Matter of the Tariff Filing of)Case No. GT-2003-0117
Laclede Gas Company to Implement an)Tariff No.
Experimental Low Income Assistance)JG-2003-0396
Program Called Catch-Up/Keep-Up.)

BEFORE:

VICKY RUTH, Presiding,
SENIOR REGULATORY LAW JUDGE
KELVIN SIMMONS, Chair
CONNIE MURRAY,
SHEILA LUMPE,
STEVE GAW,
COMMISSIONERS.

REPORTED BY:

TRACY L. CAVE, CSR
ASSOCIATED COURT REPORTERS

00532

A P P E A R A N C E S

MICHAEL C. PENDERGAST, Attorney at Law
RICK ZUCKER, Attorney at Law
JAMES SWEARENGEN, Attorney at Law
720 Olive Street, Suite 1520
St. Louis, Missouri 63101
314-342-0532

FOR: Laclede Gas Company
RONALD MOLTENI, Assistant Attorney General
P.O. Box 899
Jefferson City, Missouri 65102
573-751-3321

FOR: Missouri Department of Natural Resources
JOHN B. COFFMAN, Deputy Public Counsel
DOUGLAS E. MICHEEL, Senior Public Counsel
P.O. Box 7800
Jefferson City, Missouri 65102
573-751-5565

FOR: Office of Public Counsel and the Public

THOMAS R. SCHWARZ, JR., Deputy General Counsel
LERA L. SHEMWELL, Assistant General Counsel
DAVID MEYER, Associate Counsel
P.O. Box 360

Jefferson City, Missouri 65102

15 573-751-5239

FOR: Staff of the Missouri Public Service Commission

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1 JUDGE RUTH: We are back on the record in the
2 Laclede hearing, GT-2003-0117. Before we get started where
3 we left off yesterday, I want to mention that Witnesses
4 Fallert and Cline for Laclede have been excused and
5 Mr. Moten was excused earlier in the day as was Mr. Nash.

6 Okay. Are there any other housekeeping
7 matters we need to take up before we get started?

8 MS. SHEMWELL: Going off the record at 12:30
9 for --

10 JUDGE RUTH: Yes. We're going to go off the
11 record at 12:30 so we won't break before 12:30 I don't
12 expect. I got some bright eyes. Is that a problem?

13 MR. SCHWARZ: I mean, as long as --

14 JUDGE RUTH: We'll take a break between now
15 and then, but we won't stop at noon as we usually do.

16 MR. PENDERGAST: I'll just stop drinking my
17 coffee, your Honor.

18 JUDGE RUTH: And we'll come back on at 12:30.

19 MS. SHEMWELL: 2:30.

20 JUDGE RUTH: I'm sorry. 2:30. And then at
21 some point this afternoon we'll discuss whether we're coming
22 back again on Thursday.

23 Okay. When we left yesterday, we were having
24 a discussion over whether or not Staff should be allowed to
25 use the Rebuttal Testimony and then also that report. Do

00534

1 you have copies of the report now?

2 MS. SHEMWELL: I do.

3 JUDGE RUTH: Would you pass those out?

4 MS. SHEMWELL: Certainly.

5 MR. SWEARENGEN: It was my understanding that
6 the other testimony was no longer --

7 JUDGE RUTH: You're right. Exhibit 15 is not
8 an issue at this time. It's just the Task Force Report that
9 Ms. Shemwell is passing out, which will be marked for
10 identification purposes as Exhibit 16.

11 (EXHIBIT NO. 16 WAS MARKED FOR
12 IDENTIFICATION.)

13 MR. SCHWARZ: Fifteen wasn't offered, was it?

14 MS. SHEMWELL: It has not been offered.

15 JUDGE RUTH: Fifteen has been offered.

16 MS. SHEMWELL: No, it has not been offered.
17 Sixteen has not been offered yet either.

18 I was proposing to cross Ms. Meisenheimer on
19 this and perhaps I could just go ahead with my offer of
20 proof.

21 JUDGE RUTH: Well, I did mention at the end of
22 yesterday that by taking a break at that time, it would
23 allow Laclede an opportunity to review the material and
24 determine whether they were willing to withdraw their
25 objection with the understanding that they would be allowed
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1 then to do an additional round of cross. Mr. Swearengen?

2 MR. SWEARENGEN: Let me respond to that, if I
3 could, please. We still don't know the purpose for which
4 this document's going to be used.

5 We don't know whether or not counsel for the
6 Staff intends to offer the whole document into evidence or
7 portions of the document into evidence or any of the
8 document into evidence, so it's a little difficult for us to
9 be able to say at this point in time how we would react to
10 that.

11 Assuming that the Commission does allow
12 cross-examination -- excuse me -- cross-examination from the
13 Staff counsel of this witness on that document, obviously we
14 would like the opportunity to have cross-examination of the
15 Staff witness on that document and perhaps also the
16 opportunity to offer some surrebuttal testimony with respect
17 to that.

18 MS. SHEMWELL: They can certainly -- everybody
19 agreed there would be no surrebuttal. We agreed in the
20 record that there would be rebuttal testimony on the record
21 and there was no agreement as to surrebuttal testimony. If
22 Mr. Swearengen wants to cross Staff witness on this
23 document, then he's certainly free to do so.

24 MR. SWEARENGEN: Well, I heard some
25 surrebuttal testimony yesterday with respect to other
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1 witnesses concerning comments, statements that were made by
2 Laclede witnesses in rebuttal, so we've already had
3 surrebuttal testimony on the record in this case.

4 MS. SHEMWELL: I don't know what he's talking
5 about, but -- because we've not offered any surrebuttal
6 testimony. I'm asking Ms. Meisenheimer direct --
7 cross-examination questions.

8 JUDGE RUTH: Okay. What I want you to do is
9 ask your first question. Don't answer yet. Mr. Swearengen,
10 you've indicated you would need to know more what the
11 specific question is as to what your objection will be.

12 MR. SWEARENGEN: Yes. We've inquired of
13 counsel as to the intent and she's not told us what she
14 intends to do with the document so we're still in the dark.

15 MS. SHEMWELL: I've not yet offered the
16 document and I think the time for Laclede to make its
17 opposition to the document being admitted into evidence
18 would be at that time if I offer it.

19 JUDGE RUTH: True. But, I mean, that could be
20 one objection, but it's my understanding that at this point
21 Laclede's objecting to you even using the document; is that
22 correct?

23 MS. SHEMWELL: I don't think so. I think
24 they're objecting to my cross-examination of
25 Ms. Meisenheimer as friendly cross, which as we've
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1 discussed, is not really a valid objection.

2 I would additionally point out that Laclede

3 came in yesterday with its own list to show the areas in
4 which they agreed with Ms. Meisenheimer and they went
5 through that list that they had not presented to anyone else
6 prior to that.

7 MR. SWEARENGEN: Well, if anybody thought --
8 that observed that cross-examination yesterday and thought
9 that that was friendly, I'd be real surprised.

10 MS. SHEMWELL: Well, I don't know what
11 Ms. Meisenheimer is going to answer any more than you did.

12 JUDGE RUTH: Mr. Swearengen, is your objection
13 limited to the argument that it is friendly cross?

14 MR. SWEARENGEN: No, no, no. My objection is
15 that if this is something that the Staff wanted to put into
16 evidence, according to the Commission rules, 2.130,
17 subsection 7A, Direct testimony shall include all testimony
18 and exhibits asserting and explaining that party's entire
19 case in chief.

20 I think the Staff should have filed this
21 testimony along with its other Direct Testimony if the Staff
22 wanted to put all these reports or other rebuttal
23 testimonies into evidence. That's my objection.

24 JUDGE RUTH: Okay. I've noted your objection,
25 but as Ms. Shemwell pointed out, there has been some leeway

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1 for several parties to bring in additional information and
2 use that during cross-examination. The friendly cross issue
3 I don't find to have merit.

4 MR. SWEARENGEN: That's not my objection.

5 JUDGE RUTH: I thought it was one thing
6 mentioned, so I was also addressing it. But I'll allow you
7 to proceed on a question-by-question basis.

8 MS. SHEMWELL: May I just make an
9 additional note before I proceed that the issue of an
10 incentive plan was raised by Laclede in this case, they've
11 testified to it. And I believe I have a right to present my
12 case concerning what constitutes an incentive plan and in
13 the course of doing that, to clarify another party's
14 position as to what constitutes an incentive plan.

15 It's obviously an issue in the case, it was
16 raised in the list of issues, everybody's stated their
17 position on how the program should be funded. It is Staff's
18 primary issue in this case.

19 Laclede has concentrated on the program
20 elements. Staff's concentration is on the method of
21 funding. And I think we have every right to cross-examine a
22 witness from another party concerning their view of the
23 proposed funding method.

24 MR. SWEARENGEN: And that's my point. If it's
25 the Staff's primary issue, the Staff had the burden of going

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1 forward and offering that report as a part of its direct
2 case. But I've made that objection and --

3 JUDGE RUTH: I believe the Commission has some
4 leeway here to proceed. I would like, Ms. Shemwell, if you
5 can tell me which witnesses brought up the incentive plan,
6 do you remember?

7 MS. SHEMWELL: I'm sure David Sommerer has
8 covered incentive plan, but again, we did not file rebuttal.
9 It might have come in in rebuttal. For all I know, OPC
10 might have put it in in rebuttal or surrebuttal. We don't

11 know. This is a different process than we usually engage
12 in. Certainly --
13 JUDGE RUTH: I just wanted to make a note for
14 my reference. That was fine. You may proceed.
15 BARBARA MEISENHEIMER, having been previously sworn,
16 testified as follows:
17 CROSS-EXAMINATION BY MS. SHEMWELL:
18 Q. Good morning, Ms. Meisenheimer.
19 A. Good morning.
20 Q. Ms. Meisenheimer, do you have a definition of
21 what constitutes a Gas Supply Incentive Plan -- pardon me --
22 a properly designed --
23 A. There were a set of parameters developed in
24 the Missouri Public Service Commission's natural gas
25 commodity price task force --

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1 Q. I'm sorry.
2 A. -- in which a set of parameters were developed
3 for what might constitute a properly designed incentive
4 plan. As a general rule, I am comfortable with the majority
5 of those. Certainly that was a collaborative process. Some
6 things are not necessarily exactly as I would have them if I
7 had it entirely to construct myself.
8 Q. Have you testified -- or where might we find
9 your definition of what constitutes a properly designed
10 incentive plan?
11 A. I believe that a Gas Supply Incentive Plan
12 that is consistent generally with those parameters would
13 likely be properly designed.
14 Q. Do you know if others have defined what
15 constitutes a properly designed incentive plan -- Gas Supply
16 Incentive Plan?
17 A. There was input from, I believe it was,
18 Dr. Costello in the process of reviewing Gas Supply
19 Incentive Plans. His ideas were -- his descriptions might
20 have been worded differently.
21 Generally, I think that the majority of his
22 ideas were also captured within the development of this list
23 in the Task Force Report, so I -- I think that there's been
24 a lot of discussion and probably a lot of development on
25 what is a properly designed Gas Supply Incentive Program.

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1 I am not aware, you know, exhaustively of how
2 they may have been defined around the country, but based on
3 my knowledge and experience, I believe that the list that
4 was developed in the Task Force Report is a good general
5 guideline.
6 Q. I've handed you what's been marked as
7 Exhibit 17 -- 16. Can you point out where we would find the
8 list of what constitutes -- what the group agreed
9 constituted a properly designed incentive plan? Do you have
10 a copy with you?
11 A. Yes, I do.
12 Q. Can you tell me where that's found in the
13 report?
14 A. On pages 50 and 51.
15 Q. Thank you. In your opinion, does the plan
16 that Laclede has proposed to fund the Catch-Up/Clean-Up --
17 Catch-Up/Keep-Up program constitute a properly designed
18 incentive plan?

19 A. I do not believe, first of all, that it
20 constitutes a Gas Supply Incentive Plan. And, secondly, I
21 do not believe that it constitutes a properly designed
22 incentive plan.

23 Q. You've made the point that it's not a Gas
24 Supply Incentive Plan. We've been discussing Gas Supply
25 Incentive Plans. Why not? Why doesn't it meet those?

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1 A. The plan, as proposed by Laclede, did not
2 address creating cost savings in purchases made by the
3 company of its gas supply that would then potentially be
4 flowed on to consumers.

5 Q. They continually describe it as using their
6 savings. Why do you disagree with that?

7 A. Currently, the Commission has determined that,
8 in fact, those monies should be flowed through to consumers
9 and consumers receive that benefit. The savings are not
10 currently Laclede's. Those savings are the consumers.

11 Q. As you look through this list, can we just
12 pick a couple and -- would you agree that this incentive
13 plan is targeted to an area in which an LDC has a potential
14 of having a meaningful impact on reducing costs?

15 A. Which bullet?

16 Q. Point one.

17 A. Reducing gas costs, no.

18 Q. Can they have a meaningful --

19 A. Based on Laclede's proposal.

20 Q. Can they have a meaningful impact on that
21 area?

22 A. Can they --

23 Q. Uh-huh.

24 A. -- have a meaningful impact?

25 Q. Yes.

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1 A. I believe that Laclede can have a meaningful
2 impact in reducing gas supply costs. I don't think that
3 this program, as proposed, does that.

4 Q. Why?

5 A. It does not address the costs that Laclede
6 pays to its suppliers that would then ultimately be passed
7 on to customers. This addresses a different type of cost to
8 the company.

9 Q. Which is?

10 A. Well, although I would argue that the company
11 has not demonstrated in any meaningful way that it will
12 create any cost reductions for the company ultimately, the
13 type of cost reduction that the company envisions is a
14 reduction in uncollectibles or bad debt.

15 Q. If we could look at number -- I think it's
16 six, Incentives should be structured to ensure that
17 consumers receive benefits by aligning rewards to the LDC
18 with outcomes desirable to consumers.

19 Laclede has testified that it will achieve
20 outcomes desirable to consumers with reduced bad debt. Does
21 their program meet this bullet point?

22 A. In my opinion, it does not. And I believe
23 that this bullet point would actually be something that
24 would be relevant for any type of incentive plan, not simply
25 a Gas Supply Incentive Plan. It should be structured to

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1 ensure that consumers receive benefits by aligning the
2 rewards to the LDC with outcomes desirable to consumers.

3 Now, certainly I think in my testimony we did
4 acknowledge that, in fact, to the extent if you look at the
5 proposed plan in the short run, we thought that there might
6 be some short-run benefits to the cus-- to the subset of
7 customers that actually get on the plan, stay on the plan
8 and reduce their arrearages.

9 However, we also describe -- I describe in my
10 testimony that I am not confident that this is a long-term
11 benefit to low-income customers the way that it is designed.
12 In my opinion, it attempts to treat the symptoms and not the
13 cause.

14 So I believe that the low-income customers
15 that are initially on this plan -- get signed up for this
16 plan, could fall off -- could not be able to meet the terms
17 of the plan because their rates are not affordable to them,
18 could end up in a worse situation than they started out in.

19 I believe that other low-income customers who
20 no longer receive the flow-through of the discounts that the
21 Commission recently determined should go back to all
22 Laclede's customers will not be received, so I'm not sure
23 those customers are made better off.

24 The company, although throwing out a number of
25 something like 2 to 3 million dollars in potential reduced

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1 uncollectibles, in my opinion, based on what I heard in
2 these proceedings, has not actually been willing to commit
3 that, in fact, there will be uncollectible expenses that
4 will eventually be passed through.

5 And, finally, Laclede is proposing that the
6 program extend beyond the next rate case, so that means that
7 adjustments to uncollectibles might not even be passed on in
8 the next rate case through lower rates. So I'm not sure
9 that it won't be potentially two rate cases before
10 customers, the general body of ratepayers, would even
11 receive any uncollectible reduction benefit until that time.

12 Q. Thank you. In your opinion, does this
13 proposed program contain any of the essential attributes as
14 are defined here -- any of the attributes?

15 A. As the company proposed the plan?

16 Q. Yes.

17 A. Of a Gas Supply Incentive Plan, no.

18 Q. Thank you. Do you agree that --

19 A. Did you want me to limit my answer to a Gas
20 Supply Incentive Plan?

21 Q. I know that you've said that this doesn't
22 constitute a Gas Supply Incentive Plan, so -- but, yes, for
23 the purposes of this, let's go on.

24 Do you agree that the funding mechanism is an
25 important part -- or an important feature of low-income

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1 incentive or -- I'm sorry -- low-income assistance plans?

2 A. Absolutely.

3 Q. And what is the Office of the Public Counsel's
4 proposal for funding this program?

5 A. Public Counsel does not support the program as
6 proposed by Laclede, so Public Counsel -- and one of our
7 primary reasons for not doing so, we have serious concerns
8 about the funding mechanism, in addition to our concerns

9 regarding the scope of the program proposed.

10 We did, however, try to convey to the
11 Commission in our testimony that although we have opposition
12 to the proposal in part based on that compensation
13 mechanism, since it's not going to be looked at within the
14 context of a rate case and all relevant factors considered,
15 that -- and I have other reasons for feeling that there are
16 problems with the funding mechanism.

17 But setting that aside, we did try to convey
18 to the Commission that in the event the Commission felt that
19 it was appropriate to move forward with some type of plan,
20 something that we would not challenge if the conditions were
21 met -- so we didn't support any plan. We are not.

22 Q. You don't have any proposal for funding. Is
23 that what you're saying? You haven't proposed a method of
24 funding?

25 A. We have proposed that the appropriate place to
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1 develop a low-income program is within the context of a rate
2 case so that all of the key components could be addressed.
3 Also, I mean, certainly Public Counsel has in the past,
4 specifically for Laclede, proposed certain types of programs
5 with funding that, in part, included the company chipping in
6 at least a little bit.

7 MS. SHEMWELL: I think that's all I have for
8 Ms. Meisenheimer. I would at this -- pardon me just a
9 minute. Maybe not.

10 BY MS. SHEMWELL:

11 Q. You have said that you agree with experimental
12 programs. And did Office of the Public Counsel design the
13 MGE experimental program? I believe it's known as ELIR,
14 E-L-I-R, Experimental Low-Income Rate Program.

15 A. I have some familiarity with that program.
16 Public Counsel actually brought forward, I believe in the
17 testimony of Mr. Colton at that -- in that case, a more
18 comprehensive program than was ultimately adopted. Public
19 Counsel did, I believe, have input into the final program
20 that was implemented.

21 Q. In your opinion, is Catch-Up/Keep-Up an
22 experimental plan?

23 MR. SWEARENGEN: I'm going to object to that.
24 That calls, I think, for a legal conclusion.

25 JUDGE RUTH: Do you have a response?
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1 MS. SHEMWELL: Well, I'm asking. They at
2 least helped design the ELIR program and so she has some
3 familiarity with what constitutes an experimental plan. I
4 think there are many parameters outside of any legal issues
5 as to what might constitute an experimental plan whether or
6 not it's, for example, limited in scope. It's not a legal
7 issue. So I think there are many factors we can discuss.

8 JUDGE RUTH: I'll deny the motion and you may
9 answer the question.

10 THE WITNESS: In my opinion, an experiment --
11 a proper experiment would include a number of components.
12 One of those components would be that you have to -- before
13 you take on an experiment, you have to have some hypothesis
14 that you're going to test.

15 And that, in the design of a low-income
16 program, would be that whatever mechanisms are developed are

17 actually going to provide a benefit. Otherwise, why would
18 you even undertake such an experiment if you thought that it
19 was likely not to address the problem? That's -- that's one
20 component.

21 Second, you need to set up a structure for
22 testing and be able to observe whether what you anticipate
23 to happen, what you believe might likely happen, actually
24 does happen.

25 So there would be a requirement, in my
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1 opinion, for a properly designed experiment that we should
2 set up mechanisms by which we can measure and later test the
3 effectiveness of the program.

4 BY MS. SHEMWELL:

5 Q. On pages 13 and 14 of your Direct Testimony
6 you list information that should be recorded and analyzed.
7 Is that the type of information that you would consider to
8 be necessary to test a hypothesis?

9 A. Yes, it is. And I believe, as I attempted to
10 indicate, because we have not seen a description of things
11 related to the plan that might appear in contracts or might
12 be related to the interaction between Laclede and the
13 agencies that might help administer the program, there might
14 be additional information that I believe would be
15 appropriate to track over the course of an experiment.

16 Q. Laclede has filed Exhibit 13 -- pardon me. I
17 need to get a copy of that.

18 Do you have a copy of that, which is their
19 red-lined tariff?

20 A. Yes.

21 Q. Do you see the list of information that they
22 propose to keep on -- I think it's 28-J1 starting at 28 --
23 J?

24 A. There is a general group of information that
25 the company had previously committed to gather that was in
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1 the previous tariff that I reviewed. In addition, the
2 company included in this new draft tariff, the one that is
3 Exhibit 13, a list that had appeared in my testimony of
4 additional information.

5 Q. Would you look at me -- with me under HF,
6 please, where they have put in at the very last sentence,
7 Subject to the availability of income data from the
8 agencies.

9 Do you have any knowledge of what they would
10 need to do to get this data from the agencies?

11 A. Based on my experience in telecommunications
12 where I have, in fact, worked on universal service issues
13 and lifeline link-up type programs, I have some limited
14 understanding of what type of information agencies may or
15 may not gather because they will need that information to
16 determine whether customers qualify for their programs.

17 So, in my opinion, I believe that agencies do
18 have some of this information regarding customers' income
19 relative to the poverty line, household size.

20 Q. I guess the question is -- pardon me.

21 A. There -- there may be other information that
22 is gathered from these consumers that would be helpful, how
23 many -- like, how large is the house, how many rooms in the
24 house, things like that would -- that might help us get more

25 information. But I do -- I do believe that agencies will
00551 have some of this information.

2 In my experience, there may be legal issues
3 with whether the agency will willingly provide information.
4 It is my understanding that some information is required be
5 passed on that is related to federal assistance that is
6 given.

7 So within that context in my experience with
8 the lifeline program, I think -- and discussions with social
9 services in the past, I believe that there is a likelihood
10 that someone could get and look at this information.

11 Whether it is Laclede getting information from
12 the agencies and the level of detail, I'm not clear. Had
13 there been a contract developed that gave a more -- or a
14 broader description of what the relationship between the
15 agencies and Laclede would be, I think we might have a
16 better idea of whether the agencies would be willing to
17 provide the information and the level of detail.

18 I believe there -- part of the information
19 that I'd recommended would have to be -- you would take raw
20 data and probably need to aggregate it. So there might have
21 to be some -- some adjustments made to the data as it
22 currently resides in their databases.

23 Q. You have indicated, I believe earlier, that
24 you think that some customers may very well benefit from
25 this program. Do you have any idea as to how many?

00552 1 A. On a short-term basis -- and I do mean short
2 term -- I had developed an estimate of something like
3 2.588 million that we felt that if the Commission chose --
4 despite our problems with the funding mechanism and our
5 preference for maybe a more wholistic approach, if the
6 Commission moved forward, we proposed that number in part
7 because we believe there is need and that is a dollar amount
8 that will address need.

9 Now, whether -- I think that number is
10 actually high and I think that number is high probably for a
11 two-year period. So I would say that the benefit that
12 customers would actually receive from the program measured
13 in dollar terms only would be less than that.

14 I believe there will be additional benefits
15 for customers who can actually get on the program and stay
16 on the program. And I don't dispute that there will
17 probably be some that can do that. They will gain some
18 benefits, an improvement in quality of life and potentially
19 health.

20 But I -- it is far less clear to me that those
21 benefits will be long term or sustainable. And in that
22 respect, ultimately the program may do more harm than good
23 because it will keep us from focusing on developing a more
24 wholistic approach --

25 Q. What about --

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1 A. -- I'm afraid.

2 Q. I'm sorry. You're afraid?

3 A. I'm afraid that that could happen.

4 Q. Doesn't this have a more wholistic approach in
5 that it has weatherization and Laclede has agreed to put the
6 300,000 into the federal, I guess?

7 A. The weatherization was Public Counsel's
8 proposal that in the event the Commission wanted to move
9 forward. And that addition is something that I believe --
10 and we certainly would not have proposed had we not believed
11 that that would be an enhancement to what was there.

12 That addresses the more longer term issue of
13 how to reduce a customer's demand and, therefore, reduce
14 their bill and, therefore, ultimately reduce their inability
15 to stay caught up on their bill. That's one component.
16 Other components like a low-income rate is -- is something
17 different.

18 MS. SHEMWELL: That's all I have. Thank you.
19 I would offer Exhibit 16 into the record.

20 MR. SWEARENGEN: Your Honor, if I could speak
21 to that. We have no objection to the reference pages, which
22 I believe were 50 and 51. Beginning on page 50 it says
23 Roman numeral six, Recommended parameters for incentive
24 design, and it runs over onto page 51. We have no objection
25 to that portion of the document being received into evidence
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1 at this time.

2 In conjunction with that, however, we would
3 like to reserve the opportunity to offer, ourselves, other
4 portions of that document to the extent that we believe it
5 appropriate to paint a complete and accurate picture about
6 what we're about here.

7 JUDGE RUTH: State that last part again. You
8 would like --

9 MR. SWEARENGEN: We would want to reserve the
10 right to offer other portions of this report to the extent
11 that we believe it appropriate in order to complete the
12 picture with respect to the issue in front of the
13 Commission.

14 JUDGE RUTH: When would you know when that
15 would be necessary?

16 MR. SWEARENGEN: Certainly today.

17 JUDGE RUTH: Ms. Shemwell, I do not see the
18 need for the entire report. I am willing to admit the cover
19 page so that I know what it is and pages 50 through 51. Are
20 you able to make copies?

21 MS. SHEMWELL: Certainly. I would like to
22 respond, however, though that I think Ms. Meisenheimer
23 referenced the entire Task Force Report in her testimony as
24 the collaborative efforts where the group and she had
25 mentioned other peoples' input into this Task Force Report.

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1 I think it may be helpful to the Commission.

2 Also, I might note just as an aside that
3 courts have encouraged, I know, agencies to admit anything
4 to which reference is made so that there is a complete
5 record. So I would suggest that it's preferable to include
6 the entire report.

7 However, if the Commission decides not to, we
8 would suggest that page 50 through 59 actually covers
9 incentive programs and would apply particularly and be
10 relevant to the issues in this case -- be particularly
11 relevant. I would note that I think it is difficult to take
12 one section out of context, but --

13 MR. SWEARENGEN: We have no objection to pages
14 50 through 59.

15 JUDGE RUTH: I will point out that 59 is not
16 the last page of a particular section. Were you aware of
17 that?
18 MS. SHEMWELL: No. We can go to page 60. I'm
19 sorry.
20 JUDGE RUTH: Mr. Swearengen, do you object
21 to --
22 MR. SWEARENGEN: No, that's fine.
23 JUDGE RUTH: Your comments regarding the
24 entire document are noted, Ms. Shemwell, but at this point
25 I'm going to admit only a portion of Exhibit 16. That would
00556
1 be the cover page and pages 50 through and including
2 page 60. And I'll ask that you some time today make copies
3 of those portions.
4 If it becomes necessary to admit other pieces
5 and we start getting into piecemeal portions, we may -- I
6 may then on my own motion choose to admit the whole thing.
7 We'll see what happens.
8 So Exhibit 16, which is just the portions of
9 the report is received into the record.
10 (EXHIBIT NO. 16 WAS RECEIVED INTO EVIDENCE.)
11 JUDGE RUTH: Do the parties understand what
12 pages I'm admitting in? The cover page and then 50 through
13 60.
14 Ms. Shemwell, did you have anything further
15 for this witness?
16 MS. SHEMWELL: I do not. Thank you.
17 JUDGE RUTH: Before we get to Commission
18 questions, I want to ask Laclede if you have any questions
19 for this witness at this time? You've indicated that you
20 may have some questioning for the witness since some other
21 things got brought in. Is this where you want to do that?
22 MR. SWEARENGEN: I'd rather consult with
23 Mr. Pendergast. If we could take about a five-minute break
24 and perhaps we could shorten this up considerably.
25 JUDGE RUTH: That's fine. We'll go off the
00557
1 record for five minutes.
2 (A RECESS WAS TAKEN.)
3 JUDGE RUTH: We are back on the record from a
4 brief break. Laclede, have you decided if you want to
5 question this witness further?
6 MR. SWEARENGEN: We may. And I think the best
7 use of everyone's time would be for us to wait and just do
8 it once just prior to the redirect examination. We may have
9 just a question or two. At this point it would be very
10 limited, if at all.
11 JUDGE RUTH: So you'll defer those questions
12 until after the Bench questions?
13 MR. SWEARENGEN: Yes. Thank you.
14 JUDGE RUTH: Commissioner Lumpe.
15 QUESTIONS BY COMMISSIONER LUMPE:
16 Q. Thank you. Good morning, Ms. Meisenheimer.
17 A. Good morning, Commissioner.
18 Q. First, I wanted to ask, is this an analysis
19 of -- this Exhibit 14, is this an analysis of what you have
20 done of this or is this just simply a statement of if we do
21 this, this is what you're proposing? I'm trying to figure
22 out, did you put this together to analyze this? Exhibit 14

23 to analyze Exhibit 13?

24 A. I -- I did not put Exhibit 14 together. This
25 is a document prepared by Laclede and presented to me on

00558

1 cross-examination --

2 Q. Right.

3 A. -- under which Laclede attempts to
4 characterize what they believe is Public Counsel's position,
5 their position and cites.

6 Q. So this is not to your document. This is the
7 Laclede document. Correct?

8 A. That's correct.

9 Q. Thank you.

10 A. And I believe this document contains
11 inaccuracies with respect to our position as it was
12 presented and doesn't encompass all of our concerns with the
13 tariff.

14 Q. Okay. Because I saw some -- well, some
15 discrepancies, I guess is what I'd say. All right. Thank
16 you for that. I'm just sort of going to go around here.

17 Public Counsel proposed a Gas Supply Incentive
18 Plan in the last rate case; is that correct? And it was
19 adopted?

20 A. We proposed and ultimately settled with the
21 other parties.

22 Q. So in the last rate case?

23 A. I don't know that the Commission actually
24 adopted the plan. I think what the Commission said is that
25 since the parties agreed to it, it would be allowed.

00559

1 Q. Okay.

2 A. I don't necessarily feel that you embraced it
3 entirely as your own yet.

4 Q. But it was proposed and I think it is
5 encompassed in the last rate case, if I'm correct?

6 A. Yes.

7 Q. All right. And I'm assuming that you felt it
8 was a properly designed one then in that case; is that
9 correct?

10 A. Yes.

11 Q. All right. Your estimate, I think on page 10
12 of your testimony, is that some 13,000 people will
13 participate. Am I reading that correctly? Is that your
14 estimate of who might participate?

15 A. That -- that is my estimate of potential
16 participation. I don't necessarily believe that it will
17 achieve that level, but certainly, you know, you want to --
18 in designing something --

19 Q. Yeah. By using certain estimates, etc., from
20 past experience or something like that?

21 A. Yes. Based on information --

22 Q. Based on information you got from the company
23 and other parameters or whatever?

24 A. That -- that's true.

25 Q. Okay. Now, again, if I'm reading you

00560

1 correctly, you don't support this proposal, but if the
2 Commission were to approve it, you have stated certain
3 conditions that you feel would be important; is that
4 correct?

5 A. That -- that would keep us from opposing.

6 Q. All right. And those conditions are
7 specifically set out starting on page 11, is that correct,
8 of your testimony?

9 A. Well, the funding level is one issue and then
10 the rest are listed --

11 Q. All right.

12 A. -- within the pages that follow that begin on
13 the page that you said, yes.

14 Q. All right. Now, I'm having trouble
15 understanding where the 300,000 for the weatherization is to
16 come from. Is it to come from the 6 million?

17 A. The company proposed 6 million. We believe
18 that the actual experiment that would be more appropriate
19 would be in total 3 million.

20 Q. I understand that. But, I mean, is that the
21 pot of money that the weatherization is to come from?

22 A. Yes.

23 Q. Okay. Because I've never quite understood
24 where it was coming -- from where it was coming. And it is
25 coming from that particular pot of money, whatever that pot
00561
1 may be?

2 A. If you -- if you choose to approve the funding
3 mechanism, then it would come from the same place.

4 Q. All right. Now, as I gather, you said you're
5 proposing more in the neighborhood of 3 million as opposed
6 to the 6 million. And that's correct. Right?

7 A. Yes.

8 Q. For an experiment, which I think everybody is
9 agreeing this is an experiment, I find that a lot of money
10 to do an experiment. And so I was looking at what you were
11 advocating. Would you be comfortable with, say, a million?

12 A. Certainly an experiment can be designed to be
13 less than the total reasonably estimated need that might be
14 out there.

15 Certainly in the MGE program, it's far more
16 limited. If you did a Laclede program that mirrored the MGE
17 program in terms of the dollars, I had actually performed
18 that just as an analysis for myself to see what that might
19 look like. And I think it was far more limited and would
20 include probably less than 1,500 customers.

21 I used some old numbers that I had, which the
22 number I actually came out was something like 1,351, but I
23 think that the customer base may actually be a little bigger
24 than when I had these numbers from.

25 Q. Would it not -- and this is supposition here,
00562

1 but in the last rate case, would it not have been possible
2 to suggest that a collaborative to address low-income needs
3 would be set up with the parties to address that? Could
4 that not have been put in the last rate case?

5 A. There -- once Laclede developed and proposed
6 the low-income plan, there were meetings. I participated in
7 some of those meetings. I don't feel it was a collaborative
8 process.

9 Certainly a collaborative could have been
10 proposed in the last rate case. Certainly if the Commission
11 believes that low-income needs are not being met, not just
12 in Laclede territory, but in the state of Missouri, you

13 could certainly direct a collaborative as you did with the
14 natural gas task force.

15 Q. I'm thinking of some of the collaboratives
16 that are going on following the Ameren settlement. And it
17 just appeared to me that that could have gone into the
18 Laclede rate case, that there would be a collaborative set
19 up to work out these needs. And I'm just curious why that
20 didn't happen. But it could have, could it not?

21 A. Yes. It -- it could have. In my opinion, the
22 positions of the parties at that time were so far apart
23 that -- that a collaborative process -- the meetings didn't
24 get as far at that point, not knowing how receptive really
25 the Commission would be to some type of a low-income program

00563

1 that that's maybe -- you know, if that's a priority for the
2 Commission.

3 Q. Well, I'm thinking since it was part of the
4 Ameren settlement and we didn't object to it there, that it
5 might have been considered, but that's sort of water over
6 the dam right now.

7 A. Well --

8 Q. But I guess I would be suggesting that in the
9 future a collaborative would make more sense to me than a
10 contested case or going back and forth and doing it this
11 way.

12 A. I personal--

13 Q. Do you agree?

14 A. I personally fully agree with that. I think
15 it was very successful in -- with respect to the Gas Supply
16 Incentive Plans. I think that the Staff did a very good job
17 organizing and bringing parties with really diverse
18 interests together to have those discussions. However,
19 collaborative in my experience has not been very productive
20 specifically with this company.

21 Q. Okay. Did I hear you correctly that you agree
22 to a rollover? In other words, if the full funds are not
23 used in the first year, they roll over to the second year?
24 Did I hear you correctly?

25 A. Actually, I didn't agree to a rollover.

00564

1 Q. Okay.

2 A. The amount that I had was an annual funding
3 level --

4 Q. Okay.

5 A. -- certainly.

6 Q. And if there's money left over, it would be
7 then returned that year through the PGA or to the other
8 customers. Right?

9 A. Yes.

10 I had another piece of information that I did
11 not add to a question that you'd asked me regarding the more
12 limited proposal. And I'd be happy to give you a dollar
13 amount to go with the customer number if you had any
14 interest in hearing that.

15 Q. What would that number be?

16 A. The program, if it was set up in similar
17 fashion as MGE, would be something -- based on the numbers
18 that I used at that time, something more -- just a little
19 over a million dollars.

20 Q. Okay. Now, I would just let you know I'm more

21 comfortable with a million dollars at this point, but can I
22 go through some of the items where you do have
23 disagreements?

24 As I understand, you're proposing more a
25 two-year versus a three-and-a-half, four-year proposal,
00565

1 which could lead -- after the moratorium and these could be
2 more considered. Is that -- am I correct, the two-year
3 versus the --

4 A. Yes. We felt that if the Commission wanted
5 some type of a stop gap until the appropriate time, which we
6 believe is the rate -- a rate case to look at this issue,
7 then this timing would allow -- the shorter timing would
8 allow for that.

9 It would allow us to bring in a better variety
10 of potential recommendations where potentially low-income
11 rate could be discussed. So -- so that was -- that was
12 essentially why we talk about a shorter time frame.

13 Q. Two year --

14 A. Also, we have a real concern that the
15 company's proposal leapfrogs over this next rate case and so
16 how are uncollectibles going to be treated? Will they not
17 be flowed through in the next one? Will we have to wait two
18 rate cases before all customers get the benefit of whatever
19 uncollectible reductions could be --

20 Q. Okay.

21 A. -- could be determined exist?

22 Q. There was some discussion about agencies and
23 reporting and that sort of thing. Are you familiar with the
24 agencies that Laclede uses today to distribute funds such as
25 weatherization and LIHEAP and those sorts of things? Do
00566

1 they use other agencies to do that?

2 A. I believe -- and -- I believe that they work
3 in concert with --

4 Q. DollarMore or --

5 A. -- with a section of social services. And --

6 Q. -- HDC, those kind of agencies?

7 A. And that there are a number of relationships
8 regarding the flow of federal, state monies to where they
9 actually reach their intended purpose, whether it be to
10 provide enough money to get Laclede to turn the gas on for a
11 customer or whether it be to do some type of weatherization.

12 Q. I'm curious about the 5 percent administration
13 which you propose and 10 percent which they propose, because
14 it doesn't appear to me that this program would use
15 agencies.

16 It appears to me that someone would come in,
17 it would be determined what their rate should be and then if
18 they met that the first quarter, Laclede would remove some
19 money from this pot into this pot. And I don't understand
20 the administration portion. But you've said 5 percent, so
21 I'm curious why you say 5 percent?

22 A. My understanding of the way this might work,
23 although I haven't seen a contract between Laclede and the
24 agencies, is that Laclede would allow the agencies to
25 determine what customers would qualify. Agencies that
00567

1 identify and assist customers with receiving all sorts of
2 public assistance are the entities that keep track of what

3 is a customer's income relative to the poverty level.
4 Laclede doesn't have that information --

5 Q. Right.

6 A. -- to my knowledge except to the extent it's
7 provided to them by the agencies. So really it seems
8 completely efficient to me to allow those who already keep
9 the information, who already provide that service with
10 respect to other funding to do that.

11 Now, there may be additional incremental
12 activities associated with this program. Outreach for this
13 program, additional recording specifically for this program,
14 additional information that we ask for, that type of thing.

15 So I believe there may be incremental costs
16 associated with this program. And we have said we're just
17 not convinced that they will be at the same level as if you
18 built this from, you know, a separate house from the ground
19 up.

20 So we said 5 percent and if you think there's
21 more need for administrative costs than that, then bring us
22 a written plan, let us evaluate it, let the Commission
23 review and approve it. So that for us was more a safeguard.

24 Q. All right. Well, I just am not convinced that
25 there's this much administrative cost to it, but I suppose
00568

1 someone might convince me, but at this point I think it's
2 rather high. Because it doesn't appear -- other than
3 someone coming in who's been certified that they qualify for
4 the program and --

5 A. It depends also on the scope that you approve.
6 If you approve a program that goes beyond assistance levels
7 that are currently given, you know, or that funds are
8 received at, then you -- you potentially could be
9 creating -- you know, the lower the threshold, the more
10 likely it is, in my opinion, that much of that information
11 would already have been gathered and available somewhere.

12 Q. I think this may be the last one.

13 You, in your testimony, talk -- in the
14 records, etc., you talk about funding at or below
15 100 percent and 125 percent. And in the tariff here that
16 was supplied, they talk about 150 percent, but when they go
17 back to your records, they talk about 100 to 125 percent so
18 I'm not -- did you recognize that also?

19 A. Laclede developed this tariff language. We
20 had no input --

21 Q. Right.

22 A. -- except for, you know, the comments that
23 I've made regarding what they wrote. So this isn't
24 something that was put together by Public Counsel.

25 Q. But you're recommending 125 percent of
00569

1 poverty, not 150 or 175; is that correct?

2 A. That's correct. We did indicate yesterday in
3 my testimony that to the extent the Commission picks a
4 number higher than the 125, we would appreciate being able
5 to have included gathering information at those additional
6 higher increments.

7 So if you say we're okay with the 150 in the
8 first year and 175 in the second year, then I would like to
9 see information broken down not only at 100 percent and 125,
10 but also the 150 and 175 so we can gauge later who's

11 being --
12 Q. And that's why you're --
13 A. -- helped and how much.
14 Q. But you are specifically proposing 125 percent
15 of poverty?
16 A. In the event you go forward, yes.
17 Q. All right.
18 COMMISSIONER LUMPE: I think that's all I
19 have. Thank you, Ms. Meisenheimer.
20 JUDGE RUTH: Commissioner Murray.
21 COMMISSIONER MURRAY: Thank you.
22 QUESTIONS BY COMMISSIONER MURRAY:
23 Q. Good morning, Ms. Meisenheimer.
24 A. Good morning, Commissioner.
25 Q. Just picking up there on the poverty level

00570

1 issue, is it accurate to say that at this point we don't
2 know how many customers might be eligible at any one of
3 those poverty levels?
4 A. That is correct. There have been some
5 estimates thrown out, limited -- I had to piece something
6 together to get an idea, but that is -- that is correct. I
7 don't think at this point there is any accurate gauge of how
8 many customers are at each of those levels.
9 Q. So we really don't have an accurate way to
10 measure the total cost of the program under any of the
11 proposals, is that right, at this point?
12 A. That -- that's correct. I believe that's
13 correct. And what participation rate would occur, because
14 simply because we say we're going to design a program to
15 satisfy this much need doesn't mean that there will be
16 applicants for all of that.
17 Q. All right. And I suppose that would be the
18 case no matter what kind of a program were proposed? I
19 mean, it would be virtually impossible in the beginning to
20 know exactly how many people would apply, but then I assume
21 that you're saying that we should have better information
22 than we do to determine the size of the program before going
23 forward; is that right?
24 A. If -- if I had it to do entirely from the
25 ground up, I think that I would seek information from

00571

1 available sources in a more collaborative process to try and
2 get a better estimate of the specific need and the
3 reasonableness of the size of the experiment relative to the
4 cost to all ratepayers. But, I mean, I think there is some
5 information available. I think better information could --
6 could have been obtained.
7 Q. And during a collaborative process, would one
8 of the parties involved in that process be contacting
9 agencies to determine some of the statistics that are
10 available at the different agencies that would be
11 participating?
12 A. I would certainly -- I would certainly hope
13 so. I would remind you of the collaborative process that
14 went into reviewing the lifeline program for
15 telecommunications.
16 Public Counsel very early in that process when
17 we got together with the companies and the Staff, we
18 contacted social services, invited them to come to the

19 meetings, participate in that process. They were incredibly
20 helpful in terms of providing data upon which we could get
21 estimates of what might be the size, what might be the need
22 and what might be the trade-offs. So they were very willing
23 to participate and very helpful.

24 And I would also point out that in the gas
25 task force collaborative process, the Department of Natural
00572

1 Resources was very active and very helpful and very
2 informative to those of us who are not as familiar with what
3 some of those issues are on a day-to-day basis.

4 So including other agencies that have
5 additional information would be critical in truly designing
6 something appropriate, in my opinion.

7 Q. Okay. And in terms of what the Department of
8 Natural Resources is recommending in regard to better
9 weatherization programs or more weatherization being
10 included, would you agree that any program of that nature
11 should also include customer education regarding
12 conservation of energy?

13 A. Yes.

14 Q. And would you agree that the information about
15 how much energy is conserved by each degree of lowering a
16 thermostat should be included?

17 A. I think that would be very -- very helpful
18 information for consumers to receive. That information
19 might help them to make better choices. I don't know that
20 that information isn't already available somewhere.

21 Q. Have you seen the -- I believe it's a one-page
22 flier that the Public Service Commission has done on
23 conserving energy? I didn't bring a copy with me this
24 morning, but there is some information --

25 A. I have seen that in the past. Public Counsel
00573

1 also developed a brochure actually for all utility areas
2 individually, but we do specifically have one for natural
3 gas and we provide information about conservation methods.
4 I am familiar that the Commission has something also. I
5 don't remember the specific items that were included on it.
6 I'm sorry.

7 Q. Do you think that the people though that are
8 actually directly involved in the weatherization programs
9 should be knowledgeable about that type of information and
10 share it with the consumers?

11 A. Depending on the specific function that they
12 perform within their organization, I'm sure that there are
13 people at DNR with that knowledge and who would be
14 attempting to share such knowledge to help customers reduce
15 their energy bills.

16 Q. I was a little surprised yesterday that the
17 witness that DNR had, I believe it was Mr. Nash that
18 testified yesterday, did not know how much energy is
19 conserved by reducing temperature. And apparently they're
20 not giving that -- I mean, at least he's not able to give
21 that information because he doesn't know it.

22 A. I'm not familiar with generally the materials
23 that are distributed by DNR to consumers. That information
24 may be contained somewhere. That might have just been -- I
25 mean, Mr. Nash isn't the only one who doesn't know the
00574

1 number right off the --

2 Q. Well, I can't remember it off the top of my
3 head either, but if I were talking to a consumer about
4 conserving energy, I'd certainly make sure I had that
5 information and made it available.

6 A. I think that would be important information to
7 give consumers certainly.

8 Q. I wanted to ask you about your recommendation.
9 First of all, is your primary recommendation that we not go
10 forward with the program at this point for Laclede at all?
11 Is that your number one preference?

12 A. With Laclede's proposal, that is our primary
13 proposal, that you not go forward with Laclede's proposal.

14 Q. And you don't have an alternate proposal to
15 offer suggesting that we do go forward; is that correct?

16 A. We do not have something before you at this
17 time as an alternative program to go forward. We were
18 certainly encouraging the company to work with other parties
19 to develop something within the context of the rate case and
20 that did not get completed.

21 It is certainly not that we wouldn't be
22 willing to participate in developing something that we felt
23 was more appropriate. We have a problem with the funding.
24 If you go forward with the funding, we've tried to tell you
25 what we won't object to.

00575

1 Q. Yes. And I understand that. But you're not
2 actually recommending that we go forward with something at
3 this time?

4 A. Not -- not with Laclede's proposal, that's
5 true.

6 Q. And in regard to the rate-making treatment,
7 would the Office of Public Counsel be recommending recovery
8 through an AAO, or do you know?

9 A. No. We're not recommending recovery through
10 an AAO.

11 Q. Okay. Now, let me ask you a little bit about
12 an AAO, if I could. And if you don't know the answer, just
13 say so, but I know that Staff has suggested that an AAO
14 would be the appropriate recovery method.

15 And there has been some testimony regarding
16 this proposal that it is not fair to the other consumers who
17 would be subsidizing the low-income consumers through their
18 rates because the rates would increase for all consumers.
19 And I'm talking about under the current proposal. Is that
20 your understanding?

21 A. I am aware that -- that that argument has been
22 made.

23 Q. Okay. Now, with an AAO, if we were to
24 establish a program and say there could be recovery under an
25 AAO and then it were -- the costs that were incurred were

00576

1 actually recovered in the rate case, would the other
2 customers be paying that cost?

3 A. I am -- let me give you the disclaimer. I'm
4 not an attorney.

5 Q. As you understand.

6 A. As I understand AAOs from Public Counsel's
7 perspective, I believe that this program does not meet the
8 requirements for an AAO.

9 Q. Okay. But let's just assume that it did. I'm
10 just trying to understand who pays in the end.

11 A. Assuming that it did and you wanted to move
12 forward with the program, I think that's preferable to us
13 because we will have an opportunity to argue at a later
14 point regarding whether the costs were appropriate.

15 Q. But then assuming that the costs were found to
16 be appropriate and they were included in the next rate case,
17 who would pay those costs? Would it be all consumers?

18 A. I believe so.

19 Q. Okay. You mentioned earlier when Commissioner
20 Lumpe was asking you questions, that the company's proposal
21 leapfrogs over the next rate case. Can you explain what you
22 mean by that?

23 A. If -- the company's rate moratorium I believe
24 is in effect until April of 2004. They can't bring in a new
25 proposal for a rate increase until that time. If -- let's
00577

1 say we go through a regular process, regular rate case and
2 no proposal is brought forward because this program is
3 approved for longer than that period. Then it is not clear
4 to me that the uncollectible issue would be addressed within
5 the context of the rate case. Therefore --

6 Q. At the end of the moratorium?

7 A. Right. In that rate case. Because the
8 company's idea of what the experiment should be if it's on a
9 limited term basis, extends beyond that rate case. So they
10 may say at that time, Well, gee whiz, the experiment's not
11 done yet, we can't talk about what the savings and
12 uncollectibles are, we can't adjust the uncollectibles here
13 because we're not done yet.

14 And so that's why I'm concerned that it could
15 be the second rate case before the experiment, as Laclede
16 proposes it, will be completed and the company could
17 potentially be willing to evaluate the success of that
18 program.

19 Q. So are you saying that the reduced cost of
20 service that the company would experience would not be
21 recognized in the next rate case?

22 A. I think that there's a potential that that
23 could happen, and that's of great concern to me.

24 Q. Because of the way the tariff is written, the
25 language regarding the end of the program?
00578

1 A. Yes. The length of the experiment -- I
2 believe in their current sample tariff that language appears
3 on the last page in the last part in this Exhibit 13, which
4 is their most current revision.

5 Q. The language that says, And the corresponding
6 payments and arrearage offsets shall --

7 A. Oh, we have different -- I have Exhibit 13.
8 That's the most latest draft. On my last page is a No. 6.
9 It says, Terms of the program.

10 Q. Shall end on March 31, 2006?

11 A. Yes. And I thought that I better double check
12 to make sure that the length isn't described earlier also.

13 Q. Are you --

14 A. I don't see it.

15 Q. -- talking about the HG at the top of that
16 same page that when the program terminates, any funds

17 remaining --

18 A. Yeah. I just wanted to double check that the
19 dates or the length being what the company's proposing
20 didn't appear somewhere else. And I'm afraid I'm not
21 completely certain at this point that it -- in any event,
22 anywhere where language that talks about this program even
23 on an experimental basis extending beyond the time frames
24 that we propose that would align it, we believe, with the
25 next rate case, we're concerned about that.

00579

1 Q. And the time frame you propose is two years?

2 A. Yes. And specifically in my testimony I have
3 the dates described on page 12 at lines 4 and 5 as the
4 program -- enrollment for the program would end on
5 March 31st, 2004 and payments of arrearage offsets would end
6 by September 30th, 2004.

7 We feel like that that aligned it, number one,
8 with the time frame where we might see the next rate case,
9 would have had some time to review the various parties'
10 testimonies, potentially there could be a settlement.

11 Q. Okay. Now, I think this is my last question,
12 but I'm curious as to the position that Public Counsel has
13 regarding the customers who are currently disconnected for
14 non-payment and unable to get reconnected. What do you
15 think will happen with those particular customers absent
16 this program? I mean, do you have any solution for those
17 customers?

18 A. I -- the Commission currently has a Cold
19 Weather Rule and I don't -- I don't have all the detail
20 before me. I don't know that there isn't something that the
21 Commission couldn't approve to encourage companies to get
22 customers back on line, to extend payment plans or to
23 require longer payment plans or re-arrange time frames for
24 payment plans; that is, maybe making up arrearages more in
25 the summer months instead of stacking them on winter bills,

00580

1 those types of things to assist in getting customers back on
2 line. I think that there could be proposals in that area.

3 Q. The local public hearing, were you there?

4 A. I was not there. I have reviewed the
5 transcript.

6 Q. There was someone who testified, as I read the
7 transcript, that talked about -- she was from Legal Services
8 of Eastern Missouri and she talked about the current
9 situation being a revolving door problem with people who can
10 come up with the money to turn on or keep service on and
11 then the payment plans are in arrears as well as their
12 usage. And she says, you know, it's next impossible to
13 catch up.

14 Isn't it true that the more delay customers
15 get into, that the more difficult it is for them to have
16 catch up? I mean, if we're looking at programs where
17 companies don't require as much up front or only require it
18 over a longer period of time, isn't that really more of a
19 revolving door than this program would be?

20 A. In my opinion, not necessarily. If you also
21 address the underlying issue of -- that the rates are not
22 affordable to those consumers for some reason.

23 Q. But then you have to get into a situation
24 where you force all customers -- where you force

25 discrimination between customers; is that correct? I mean,
00581 1 different rates amongst residential customers?

2 A. You could end up in a situation where you have
3 different rates for customers that you may find to be not
4 similarly situated customers with respect to income levels.

5 And so to the -- and also that type of program
6 may extend a benefit if it truly results in reduced
7 uncollectibles on a going-forward basis. I mean, certainly
8 there is support provided. Depending on the structure of
9 the program, whether that support produced additional
10 offsetting benefits is something that would have to be
11 evaluated. Some cases certainly I could envision that it
12 would. In other cases it might be excessive and not.

13 Q. I worry about programs like that because I
14 don't think any two customers are similarly situated in
15 terms -- well, any two is an exaggeration, but most
16 customers are not similarly situated in terms of income.
17 I'm certainly not similarly situated to Bill Gates or Warren
18 Buffet, for example, so therefore, designing rates based
19 upon income I think is a little bit of a problem.

20 A. I -- in my opinion, probably both you and Bill
21 Gates can afford to keep warm in the winter. I'm not sure
22 that at the lowest income levels the income is sufficient to
23 ensure that. And, in my opinion, that's the fundamental
24 difference.

25 COMMISSIONER MURRAY: Okay. I think that's
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1 all the questions I have. Thank you.

2 JUDGE RUTH: Commissioner Lumpe?

3 FURTHER QUESTIONS BY COMMISSIONER LUMPE:

4 Q. Ms. Meisenheimer, one of the things I didn't
5 address was evaluation. And in an experimental program
6 normally we seek some sort of evaluation as to whether the
7 program works or not. In your judgment, should that
8 evaluation occur prior to the end or should there be an end
9 and then an evaluation?

10 A. The way that I envision this working is that
11 we have proposed that if you go forward, there be a specific
12 termination date which forces an evaluation before the
13 program be re-established so it ensures there is an
14 evaluation.

15 Now, certainly if Laclede believes that the
16 program has been a success, it will have every incentive to
17 bring forward its evidence to work with the parties to
18 demonstrate to the other parties that, in fact, it has been
19 a success.

20 And, you know, certainly if Public Counsel and
21 the Staff agree that the program has been a success, if we
22 have proposed modifications, say, for example, maybe the
23 funding mechanism that we felt could be better addressed
24 somewhere else, other components added, we would have the
25 ability to work through those issues.

00583 1 Q. But you do believe there should be an
2 evaluation and, as I think I'm understanding it, it's at the
3 point where the program is ended --

4 A. There --

5 Q. -- then you do the evaluation?

6 A. There -- there should be a requirement for

7 evaluation before it could go on.
8 Q. Before it goes on?
9 A. Now, that may happen before on a voluntary
10 basis or it may be forced at the end before it's allowed to
11 continue.
12 Q. Okay.
13 A. So really it provides an incentive, a properly
14 designed one.
15 COMMISSIONER LUMPE: Thank you.
16 JUDGE RUTH: Commissioner Gaw, do you have any
17 questions?
18 COMMISSIONER GAW: Maybe a few. Thank you.
19 QUESTIONS BY COMMISSIONER GAW:
20 Q. Good morning.
21 A. Good morning, Commissioner.
22 Q. Did you drive in this morning?
23 A. Yes, I did. I left home at 5:30.
24 Q. I thought that would about be the right timing
25 for you. I congratulate you on your effort --
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1 A. I just made it.
2 Q. -- and I'm glad that you're here safe.
3 Help me to understand the difference between a
4 program like this where there's a redistribution of the
5 discount to particular individuals from most -- or a certain
6 portion of the class as a whole as compared to what exists
7 currently with the bad debt being put into the rate
8 structure. Can you give me an idea about how that shifts
9 the burden of the rate? It's a very broad question. I'm
10 asking a very broad question.
11 A. I'll try to head down the path. In the case
12 as we currently have it, all customers both receive the
13 benefit of the discount and -- the transportation discount
14 and also share in paying for all customers that actually
15 remain on the system and continue to pay their bills, pay
16 for the bad debt.
17 In the situation where you would implement
18 this program, all customers that had previously received
19 that transportation discount would forgo that. The way that
20 Laclede has designed this program if it's implemented as it
21 is, all customers would also forgo any benefit from a
22 reduction in uncollectibles until such time as those were
23 included in rates, which Laclede is proposing that be some
24 time in the future.
25 Customers who got on the program and
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1 successfully made it through some months of the program --
2 or some quarters of the program, could potentially receive
3 dollar benefit that would find its way to the company to
4 keep those customers' service intact, but none of those
5 dollars would be flowed through to customers beyond that
6 point.
7 Q. Well, let's set to the side for the moment the
8 question of whether or not there is some sort of a double
9 recovery here because the rates that are currently in effect
10 were based upon a bad debt level that potentially would be
11 altered by this program by it being reduced. Set that aside
12 for the moment and take it out of the equation of the
13 discussion, if you understand what I'm saying with that.
14 A. So ignore the double recovery for a moment.

15 Q. That issue. Ignore that issue for a moment.
16 And I'm trying to get at some policy here and probably very
17 awkwardly. But there is the issue of -- under the current
18 situation, which is normal for most companies, I would say,
19 there is a bad debt -- well, let me back up. There are some
20 customers who are unable to pay --

21 A. Yes.

22 Q. -- do not pay for some reason. And to the
23 extent that they receive services when they're not paying,
24 they're receiving some benefit for that, assuming that they
25 never actually paid for those services?

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1 A. Yes.

2 Q. All of the customers, who are Laclede's
3 customers in this case, end up paying for that because of
4 the bad debt level set in the rate structure?

5 A. I agree with that.

6 Q. At least that's the theory, isn't it?

7 A. Yes.

8 Q. And the theory approximates reality, at least
9 that's the hope. Right?

10 A. I -- I believe it does, yes, in theory.

11 Q. So what we're attempting to do -- I think what
12 I'm hearing the attempt to do is to -- I think to keep
13 individuals who have been -- who potentially will be
14 terminated, allow them to continue to be receiving services
15 through this program that's being proposed?

16 A. Yes. And --

17 Q. And who's paying for that?

18 A. Well, those customers would be paying some
19 portion if they were able -- if they were actually staying
20 on the system, then in theory, assuming away any special
21 circumstances that are allowed, they would be paying
22 something going forward. So they would be making
23 contribution that they might otherwise not make if -- I'm
24 not sure if I'm -- if I'm --

25 Q. That's okay. But whatever contribution they

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1 may end up making is less than what they would receive in
2 benefit, isn't it, because -- wouldn't that be true?
3 Because the rest of the class is contributing, but not
4 receiving?

5 A. Yes. I believe that that is true.

6 Q. So in a rate -- when you're looking at the
7 current situation with rates, in the bad debt picture, does
8 the company -- or the shareholders, let me say that, do they
9 bear any of the burden under the current situation for bad
10 debt?

11 A. If the amount built into rates is the actual
12 amount, then no.

13 Q. Okay. So as long as that number is the same,
14 then the burden is on the ratepayer --

15 A. Yes.

16 Q. -- bad debt burden?

17 A. And that's assuming away growth and forgone
18 opportunity and profit for the -- for the utility.

19 Q. Can you clarify that a little bit before I
20 move on, so I -- I don't want to leave that alone.

21 A. If there -- if the program were to, in fact,
22 encourage new customers to come on the system or customers

23 that currently were not eligible to come on the system, then
24 that not only creates more eligible customers for the
25 program, but to the extent they pay and to the extent that
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1 Laclede gains a return, there's -- there would be growth in
2 that. So I'm saying it could stimulate subscription.

3 Q. Oh, okay.

4 A. Or --

5 Q. There could be new customers come on because
6 of it?

7 A. And the normal -- the normal profit
8 opportunity --

9 Q. Yeah.

10 A. -- would be extended to that degree.

11 Q. But if you assume that customer base stays the
12 same --

13 A. Yes.

14 Q. -- then what happens?

15 A. Then the -- I'm afraid I got lost somewhere
16 along the way.

17 Q. Well, and I guess where I'm going with this is
18 I'm trying to understand -- and really just trying to
19 understand -- is whether or not a program like this that is
20 intended to allow some customers to continue their service
21 is shifting the burden of bad debt over to someone else in a
22 different proportion than what currently exists. That's
23 where I'm looking.

24 A. And I'm thinking particularly about -- my
25 question was about the shareholders. It would also concern

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1 the difference in the customers who are paying for this
2 program, which I think you and some others have brought out
3 in your testimony.

4 A. With respect to the shareholders, I believe
5 that there -- that allowing this type of program might
6 lessen shareholders' interests in finding unique ways to
7 ensure that customers stay on the system and contribute to
8 recovery of the costs of the company, including the
9 opportunity for profit that's built into rates.

10 Q. Okay. And help me -- go ahead and explain to
11 me why you believe that is.

12 A. If the company is -- if this type of a program
13 is approved as proposed, then the company has an
14 incentive -- well, I mean, I think that there's a trade-off.
15 The company has an incentive to get customers back on this
16 program because until such time as that is reduced in future
17 rates, the company gets the double recovery, but you told me
18 to ignore that.

19 Q. I understand. But that's a notation that we
20 need to come back to --

21 A. Okay.

22 Q. -- but go ahead.

23 A. So that is -- there is an incentive there, I
24 think, for the company to encourage greater subscription to
25 that extent.

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1 Setting that aside, if you were to offset
2 that, if you were to say, well, we need to do something to
3 eliminate that issue, then allowing this program, if it
4 provided -- I think that it creates a situation where it

5 causes other ratepayers to primarily foot the cost of
6 encouraging customers to get back on the system and to make
7 payments on a regular basis.

8 I think that if the company were not allowed
9 that mechanism that flows the cost of that through to the
10 rest of the ratepayers, that perhaps it would have more
11 incentive to look for other ways, that is, perhaps to pony
12 up -- pony or -- pony up penny one or more maybe of their
13 own money or share in that responsibility more to go out and
14 look for innovative ways to get customers back on the
15 system.

16 Q. Do you have anything further to expand on the
17 double-dip question, or the double-pay question?

18 A. I -- I personally believe that if Laclede
19 truly believes that this is going to reduce their
20 uncollectibles, and I believe that their own witness came
21 with up a number around the range of the number that I
22 picked for an appropriate size if the Commission goes
23 forward, that their proposal should have reasonably included
24 some way to recognize that the other customers should have
25 gotten something back at this point in the process.

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1 They're unwilling to acknowledge, in my
2 opinion based on their testimony, that there will be actual
3 benefits in uncollectibles and that it's reasonable to make
4 an adjustment for that at the time the program is
5 implemented or even in the next rate case. I don't think
6 they're willing to acknowledge that if they move forward at
7 their next opportunity for rate case, because I think the
8 program would end after that, as they've proposed.

9 Q. Why do you think the program would end after
10 that?

11 A. Well, the company has proposed an ending date
12 beyond their next opportunity to come in to seek a rate
13 increase.

14 Q. Right.

15 A. If they come in at the time they have the
16 opportunity to seek a rate increase but you've approved an
17 experimental program that extends beyond that and the value
18 of uncollectibles -- the reductions in uncollectibles is not
19 evaluated until after the next rate case, then it may not be
20 reflected in the rates that are set prior to the end of the
21 experiment and not re-looked at until the company comes in
22 again for a rate case.

23 Q. Do you believe that the amount of
24 uncollectibles -- the shift in the amount of uncollectibles
25 can be attributed in an objective way to a program like this

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1 after the fact? In other words, is there a way to measure
2 the cause and effect of this program on uncollectibles?

3 A. I believe that there are -- that there is data
4 that could be gathered to estimate the effectiveness of this
5 program. On a dollar-by-dollar basis, no, probably not. A
6 reasoned estimate, maybe.

7 And I've included a great deal of -- or a list
8 of information that I thought would be helpful in telling us
9 what is -- what might be the impact. How many customers
10 does it truly -- how many customers are enrolled, how many
11 new customers, how many customers that it's been a revolving
12 door for, how many customers are treated as an exception,

13 allowed to stay on the program even if they've failed.
14 So we've included a great deal of information
15 and certainly I'm not saying that it incorporates everything
16 that at a later date I might think appropriate. We learn as
17 we go, but I've included it because I think it's at least
18 something that in the future our office, and maybe even me
19 if I'm still with Public Counsel, will be able to use to at
20 least bring you something that says this is what we think
21 the value is.

22 And I think -- I think that Laclede can gather
23 data. And if the company wants the program to go on, that
24 it should be required to justify that it's a benefit.

25 Q. Could you clarify for me, if you're able to,
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1 the Public Counsel's position regarding this shifting of the
2 responsibility from all ratepayers -- from a class of
3 ratepayers to a broader class of ratepayers like this
4 program? Is this something that you all -- where do you
5 draw the line on when you think that's appropriate with --

6 A. Well --

7 Q. -- with your representation being what it is,
8 if you can tell me? I know that's maybe difficult.

9 A. And, I mean, Public Counsel policy is
10 developed by many and approved by --

11 Q. Yeah.

12 A. -- our Public Counsel. In my opinion and to
13 the extent that I have input into -- into that, it is
14 important that if a program like this is approved, it should
15 be shown to be a benefit not only to the targeted group who
16 receives the proposed benefit, but that also the general
17 body of ratepayers will benefit.

18 Is it a one-to-one trade-off? I -- I'm not
19 sure that that is the extent that we would need. Should it
20 be significant? If the cost is significant, then, yes, it
21 should be. And the only way to evaluate if that eventually
22 happens is to gather data and to require that data be
23 provided upon which to judge that.

24 It's not simply enough to say we think this is
25 going to happen, we feel this is going to happen. It needs
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1 to be something that in some manner is measurable and dem--
2 and able to be demonstrated.

3 Q. And, again, before I stop here, your
4 conclusion in this case is?

5 A. My conclusion in this case is that Laclede's
6 program as proposed does not demonstrate that there can be a
7 reasonable expectation that there is a sufficient benefit on
8 a long-term basis to make this program viable.

9 Q. And with the modifications that you all have
10 proposed, the stipulations that you've proposed, does that
11 satisfy Public Counsel or does that just make Public Counsel
12 feel better?

13 A. It raises our comfort level.

14 Q. Yeah.

15 A. There are still things that are not addressed
16 by the program as Laclede proposed it or adjustment to a
17 simple arrearages piece that we think should appropriately
18 be looked at to not only benefit the low-income customer,
19 but to make it more likely that the entire body of
20 ratepayers is going to benefit from a program.

21 The weatherization we added. Could that be
22 something different? Yeah. Maybe -- maybe more? Maybe.
23 Certainly I think looking at some type of lower rate for
24 low-income customers improves the likelihood that on the
25 long-term basis those customers are going to be able to
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1 afford -- not just catch up. I don't think this problem --
2 this program should be called Catch-Up/Keep-Up. Number one,
3 I think the acronym is kind of embarrassing.
4 Number two, I don't think this program
5 necessarily is going to keep customers caught up. In the
6 public hearing you heard from customers that said if I could
7 get caught up, maybe I can keep up or I'll try to keep up.
8 That doesn't -- that doesn't empower them to actually do
9 that. They got behind before. I'm not sure there is
10 evidence that there's anything different that's going to
11 improve their situation on an ongoing basis in this program.
12 COMMISSIONER GAW: I think that's all I have,
13 Judge. Thank you.
14 Thank you, Ms. Meisenheimer.
15 JUDGE RUTH: Are there any other questions
16 from the Bench?
17 Okay. We've not had a break yet this morning,
18 so this is a good time. We'll take a break now and start
19 back up at 11:00. That's about 12, 13 minutes.
20 (A RECESS WAS TAKEN.)
21 JUDGE RUTH: Before break, I believe we had
22 finished with the Bench questions and are ready for recross.
23 DNR?
24 MR. MOLTENI: No recross for this witness.
25 Thanks.
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1 JUDGE RUTH: Thank you.
2 And Laclede?
3 MR. PENDERGAST: Thank you, your Honor.
4 REXCROSS-EXAMINATION BY MR. PENDERGAST:
5 Q. Good morning, Ms. Meisenheimer.
6 A. Good morning.
7 Q. I know it's already been a long day for you,
8 so I'll try and make this brief.
9 You were asked a number of questions about the
10 gas cost commodity Task Force Report and, in particular, the
11 incentive aspects of that. Do you recall those?
12 A. Yes, I do.
13 Q. And I think you indicated that the parameters
14 that you cited in there were ones that the parties had
15 attempted to go ahead and reach an agreement on and they
16 aren't exactly as you might have them if you had an
17 opportunity to write them yourself; is that true?
18 A. That's true.
19 Q. And would you suspect that's true for other
20 parties as well?
21 A. Absolutely.
22 Q. And would you also agree with me that those
23 parameters are written in a way where it's possible the
24 parties could have different interpretations of how they
25 apply to a particular fact or circumstance?
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1 A. I found that dealing with attorneys, that can
2 frequently happen.

3 Q. Thank you, I think.
4 You also had some comments about a
5 collaborative effort and that sometimes those collaborative
6 efforts don't produce results, and I think you mentioned in
7 particular a concern with Laclede. And I'd just like to ask
8 you a couple of questions about that.

9 In connection with the MGE program that I
10 think you referenced, the low-income program -- and you're
11 familiar with that?

12 A. I am not extremely familiar with the process
13 that was gone through to arrive at that -- at that final
14 program that was implemented. I was not involved at that
15 level.

16 Q. Okay. Well, would you recall enough about it
17 or know enough about it to know whether or not it was a
18 process that was initiated with the filing of testimony by
19 Public Counsel proposing such a program?

20 A. I know that Public Counsel did, in fact,
21 propose such a program in testimony.

22 Q. And --

23 A. And the exact terms by which ultimately the
24 negotiated settlement were arrived at, I'm not as familiar
25 with. I'm sorry.

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1 Q. Okay. Well, let me ask you this. When Public
2 Counsel filed testimony, do you recall whether it was
3 testimony saying we've had a collaborative exercise with
4 Missouri Gas Energy and other interested stakeholders and
5 here is the low-income program that we've all reached
6 agreement on?

7 A. No. Certainly it began with a proposal by
8 Public Counsel.

9 Q. Okay. And just from what I recall, there was
10 a significant amount of back and forth and rebuttal and
11 surrebuttal testimony and differences over the contour of
12 the program. Does that sound familiar to you?

13 A. I was not involved with all the back and forth
14 so I can't confirm that that's what actually occurred.
15 Sorry.

16 Q. Okay. But it was initiated with the proposal
17 by Public Counsel. That you do recall?

18 A. It's my general understanding that the
19 framework that Public Counsel developed and the testimony of
20 Roger Colton was what eventually laid the frame for what was
21 implemented.

22 Q. Okay. And, in your view, was there anything
23 wrong with that process and how it eventually worked its way
24 through?

25 A. Well, I told you that I wasn't entirely
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1 familiar with how that flow worked, so --

2 Q. From what you do know of it.

3 A. I mean, certainly there's no problem with a
4 company or Public Counsel or the Staff coming forward with a
5 proposal --

6 Q. Okay.

7 A. -- and the concerns of other parties
8 reasonably being addressed either specific to that program
9 or as a general settlement of multiple issues.

10 Q. Okay. Well, let me ask you about that as well

11 in connection with another program. And I think you also
12 referenced the fact that we've got a gas procurement
13 incentive in place right now as a result of our last rate
14 case; is that correct?

15 A. Yes.

16 Q. Okay. And can you tell me how the ball got
17 rolling on getting that thing adopted?

18 A. If I remember correctly, and I think I do, I
19 testified in a rate case. And the Commission at that
20 time -- actually, I testified in the program -- I've
21 testified in a couple of Laclede's gas incentive programs.

22 And I'm not sure if I alone proposed that a
23 good place to look at that might be a collaborative process
24 where we develop what is, you know, a proper incentive plan
25 or whether that was proposed by multiple parties, but I

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1 believe that is where the process started.

2 We went through the task force process
3 coordinated by the Staff. Parties had input into the
4 components of what might be a properly designed structure of
5 incentives and ultimately Public Counsel incorporated that
6 design into the proposal that it brought forward.

7 Q. Public Counsel's specific proposal; is that
8 correct?

9 A. Yes. And -- the proposal, but I don't
10 remember any substantive changes made to by Laclede.

11 Q. No. That's one of my points. Basically,
12 Staff filed that as rebuttal testimony, did it not?

13 A. Staff?

14 Q. Its proposal, its gas procurement incentive
15 proposal in Laclede's case. They filed it in the form of
16 rebuttal testimony, did they not?

17 A. Public Counsel or Staff?

18 Q. Public Counsel.

19 A. Yes. I believe that was my testimony in
20 rebuttal testimony.

21 Q. Okay. And --

22 A. Now -- go ahead. I'm sorry.

23 Q. Yeah. Well, from the standpoint of the
24 specifics of Public Counsel's proposal, did you seek input
25 on the specifics of that proposal from Laclede before you

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1 filed it?

2 A. In my opinion, the level to which I
3 participated in the gas task force, the level to which I had
4 discussions with Laclede and was familiar with Laclede's
5 concerns, I believe that I took those things meaningfully
6 into account in developing the proposal or ultimately, if
7 Laclede would not have been willing to agree to that,
8 recognizing that that was in total with other aspects of the
9 rate case settlement.

10 Q. Yeah. Well, I guess what I'm asking is before
11 you filed it in your rebuttal testimony, how long before you
12 filed it did you provide the specific proposal with the
13 various sharing grids in it and that type of thing to
14 Laclede and say, Okay, this is what I've got in mind, what
15 do you think about it?

16 A. Well, I think that the program that we
17 proposed with Laclede was something that we had -- that was
18 extremely similar to the proposal that we had been

19 discussing with another company, the concepts of which --
20 regarding a banded approach and the concept of above some
21 level customers -- or the pain should be shared, if you
22 will. Below some level, it's not worth it to consumers.
23 I -- I don't think those were new ideas that I
24 threw out in that piece of testimony since we'd had so many
25 meetings over months. I -- I -- I believe that the basic
00602 structure had been available prior to my filing that
1 testimony.
2 Q. Okay. Did you receive input from Laclede on
3 that basic structure?
4 A. In response to ideas in meetings, yes, I
5 believe there was some.
6 Q. And did you incorporate suggestions that
7 Laclede may have had?
8 A. I can't think of a specific recommendation
9 that Laclede had made that was incorporated into that
10 proposal.
11 Q. Okay. And after it was filed, I think you've
12 already indicated that very few changes were made to it from
13 what was filed and what got approved by the Commission; is
14 that correct?
15 A. Well, I don't think it was -- as I think I
16 said earlier, I don't think it's appropriate to say it was
17 approved by the Commission. I think the Commission
18 recognized that it was an agreement between parties that was
19 part of a larger settlement of issues and they accepted that
20 settlement in total.
21 Q. Okay. Well, however you want to characterize
22 it, whether you want to say it was approved by the
23 Commission or it was approved as part of a Stipulation and
24 Agreement that was approved by the Commission, did you, in
00603 fact, make any significant changes to that after you filed
1 your rebuttal testimony in response to anything you'd heard
2 from Laclede?
3 A. I think that in return for other aspects where
4 we felt we made concessions that although Laclede probably
5 would have rather had something different, the proposal that
6 was included in my testimony must have been palatable or I
7 don't think Laclede would have gone forward with it.
8 Q. And so would the answer to that be no?
9 A. No, I don't think the answer's no, but you can
10 ask me the question again and we can --
11 Q. Okay. Let me ask again. Were substantive
12 changes made to that proposal from the time it was filed in
13 rebuttal to the time that it was included in the Stipulation
14 and Agreement -- referenced in the Stipulation and
15 Agreement?
16 A. No. I guess ultimately it was satisfactory in
17 terms of that aspect and others of the settlement.
18 Q. Okay. And so Laclede and Public Counsel and
19 ultimately the Staff were able to reach agreement on that;
20 is that correct?
21 A. Yes. On that in conjunction with the other
22 aspects.
23 Q. Right. And can you tell me how many other
24 LDCs in the state of Missouri you've reached agreement on
25
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1 with respect to that kind of incentive plan?

2 A. Well, I've been most active in terms of
3 Laclede's incentive plans. And so I haven't been involved
4 in settlements with other companies, but I haven't been
5 involved in a lot of other cases with other companies.

6 Laclede has repeatedly come back with its Gas
7 Supply Incentive Program so I think that there's been much
8 more opportunity and much more interaction with respect to
9 Laclede than other companies.

10 Q. Well, do you know if Public Counsel's reached
11 an agreement on an incentive plan with any other LDC, to
12 your knowledge at this point, that's been either filed with
13 the Commission or approved by the Commission?

14 MR. MICHEEL: I'm going to ask that he set a
15 time frame there. Obviously in the past we've entered into
16 innumerable settlements for incentive plans. Is he talking
17 about going forward from the time we agreed with Laclede? I
18 just want a temporal time frame.

19 BY MR. PENDERGAST:

20 Q. That's a fair qualifier.

21 Let's say since the commodity task force
22 finished its collaborative process.

23 A. No. However, we've been in discussions on an
24 ongoing basis.

25 Q. Okay. Thank you.

00605

1 In reference to some questions from
2 Commissioner Gaw about how the whole process of bad debts
3 works and who pays what, you gave some answers and I'm not
4 sure I was entirely clear what your answers were, but I'd
5 like to go ahead and -- I think you also indicated that
6 people in the Office of Public Counsel make policy, but
7 ultimately it's the Public Counsel that determines what that
8 policy should be; is that right?

9 A. Yes.

10 Q. And that would be Mr. Coffman?

11 A. Yes.

12 MR. PENDERGAST: Okay. If I could approach
13 the witness?

14 JUDGE RUTH: Yes. Would you show counsel what
15 you're --

16 MR. PENDERGAST: I will.

17 JUDGE RUTH: Thank you.

18 MR. MICHEEL: Did anyone ask about that?

19 MR. PENDERGAST: No, nobody asked that. Well,
20 I think there was some discussion about changes to the
21 rules.

22 THE WITNESS: I believe I said I didn't know
23 anything about that.

24 BY MR. PENDERGAST:

25 Q. Well, maybe I could refresh your memory.

00606

1 Could you identify this document for me?

2 A. It's a transcript of proceeding held on
3 October 3, 2001 in Case No. AX-2002-203 in the matter of
4 proposed emergency amendment to the Commission Rule
5 4 CSR 40-13.055.

6 Q. Okay. And I'd like you to go ahead and read a
7 segment from here and take your time to take a look at it.
8 It's a comment that was made by Mr. Coffman. And what I'd

9 like to find out is whether you agree with Mr. Coffman, his
10 comments. And I'd like you to read into the record from
11 there down to there (indicating), if you would.

12 A. I didn't participate this -- in this and have
13 not read this transcript before, but I'm happy to read it
14 for you.

15 MR. SCHWARZ: I'd like to make an inquiry of
16 clarification. Was Mr. Coffman at the time of that hearing
17 the acting Public Counsel or was he a staff member?

18 MR. MICHEEL: Mr. Coffman was a staff member
19 at that time.

20 MR. SCHWARZ: Thank you.

21 MR. PENDERGAST: Okay. Well, then I'd like to
22 find out whether she agrees with Mr. Coffman's statement as
23 an attorney representing the Office of Public Counsel as
24 opposed to current Public Counsel.

25 THE WITNESS: Could you point me to the page
00607 again? I'm sorry.

2 JUDGE RUTH: Could both of you remember to use
3 your microphones?

4 THE WITNESS: Yes. Sorry.

5 JUDGE RUTH: Thanks.

6 BY MR. PENDERGAST:

7 Q. Starting right there down to right there
8 (indicating).

9 A. I just needed a minute to review it first.
10 I'm sorry.

11 Q. Certainly.

12 A. I'm happy to read it for you now.

13 Q. Thank you.

14 A. The portion of Mr. Coffman's statement that
15 you wanted me to read is as follows, And let me just add
16 that as a representative of Public Counsel whose
17 responsibility it is to represent all consumers and all
18 ratepayers, this is a tough issue but one that we believe
19 already affects all consumers.

20 Every ratepayer of an LDC or electric company
21 is already paying a certain amount of their bill to cover
22 uncollectible expense that the utilities incur, or at least
23 a reasonable level and included in there are disconnect--
24 disconnection costs, collection costs, reconnection costs.

25 And so it's a matter that -- a policy matter
00608

1 that's already been incorporated in the rate-making process
2 that all consumers are, in some sense, subsidizing
3 non-paying customers and it's just a matter of how do we get
4 the most money.

5 And by making payment affordable through the
6 winter periods, we believe that the cost to utilities is not
7 an outrageous amount and certainly with an AAO, the
8 incremental amount could be tracked and given an opportunity
9 for recovery later.

10 Q. Thank you. Do you -- well, I'll wait.

11 JUDGE RUTH: I'm sorry?

12 MR. PENDERGAST: I was going to approach the
13 witness, but --

14 JUDGE RUTH: You may.

15 MR. PENDERGAST: I'll stay back here for the
16 time being.

17 BY MR. PENDERGAST:

18 Q. Do you agree with that comment from the
19 standpoint that it suggests that all other customers are
20 currently subsidizing, in a sense, low-income customers or
21 customers that don't pay their bills?

22 A. Subsidizing customers that don't pay their
23 bills, yes.

24 Q. Okay. And let me ask you this. You've had a
25 lot of discussion about whether we should have various kinds
00609

1 of studies and analyses done and measures to determine
2 whether or not this program will be a success.

3 And I'd like to ask you whether or not it's
4 also your belief that when Public Counsel does things like
5 propose changes or modifications to something like the Cold
6 Weather Rule, that could have an impact on bad debt, or if
7 anybody proposes changes like that, should those same kind
8 of studies and analyses be done?

9 A. The extent to which the studies would be
10 similar or the information might be available currently
11 through the existing mechanisms may be different.

12 Q. Okay. But --

13 A. Should there be an evaluation? I -- I think
14 that evaluation is always -- is always beneficial. Whether
15 there already exists enough information to evaluate is a
16 different question for me.

17 Q. Well, let me ask you this. In the event
18 somebody wants to propose a change like that that could,
19 say, make credit terms significantly easier for customers to
20 remain on service and thereby potentially have an impact on
21 bad debts, is it your view that the Commission should only
22 make those changes on a limited experimental basis?

23 A. Well, I mean, once again, I'd like to point
24 out that the Cold Weather Rule proposal was not something
25 that I had participation in with the Office of the Public
00610

1 Counsel. So I'm not familiar in -- with the circumstances
2 regarding whatever recommendation that Public Counsel made.
3 I mean, I see this statement that you didn't even have me
4 read that talks about what our proposal was.

5 Q. Well --

6 A. There's nothing within this that talks about a
7 specific proposal by Public Counsel.

8 Q. Well, let's take it out of the realm of a
9 specific proposal and -- excuse me -- and just
10 hypothetically -- I mean, you know, you proposed that
11 before -- I think you've recommended before this Commission
12 could approve a program like that, you voiced various
13 concerns about having to have additional data, about having
14 to have additional objectives and measurements and so forth
15 and so on.

16 And what I'm asking you is, does that work
17 consistently? If somebody like the Office of Public Counsel
18 would want to go ahead and change a provision of a Cold
19 Weather Rule or some other term by which utilities provide
20 service -- and I think you had some discussion of that --
21 would it be your view that in the future that Public Counsel
22 should have to come forward with some type of study to show
23 what impact it would have on other customers, what benefits
24 it would have for other customers as opposed to simply say,

25 Let's make a change?

00611

1 MR. MICHEEL: Your Honor, at this point I want
2 to object, because Mr. Pendergast is mischaracterizing when
3 an Emergency Cold Weather Rule proceeding happens and this
4 is not an emergency proceeding. There are specific
5 statutory requirements for an Emergency Cold Weather Rule
6 proceeding that -- and it was the Commission that proposed
7 the Emergency Cold Weather Rule changes, not the Office of
8 Public Counsel and specifically life, health, safety of
9 citizens were supposed to be at risk.

10 And so, I mean, to -- and this witness has
11 already testified she wasn't familiar or involved in that.
12 And I've given him great leeway to let her read one comment
13 out of numerous comments that were made in an Emergency Cold
14 Weather Rule hearing.

15 And at this point I don't think it's relevant
16 to anything that was asked from the Bench. Indeed, nothing
17 was asked from the Bench about the Emergency Cold Weather
18 Rule or any hypotheticals from it. And I just think it's
19 cumulative. It's not responsive to any questions from the
20 Bench and I just think we should move on.

21 MR. PENDERGAST: Your Honor, if I could
22 respond.

23 JUDGE RUTH: Yes. Yes.

24 MR. PENDERGAST: Thank you. I believe in
25 response to a question by one of the Commissioners, and I'm
00612

1 not sure which one it was, that Ms. Meisenheimer said
2 herself said, yes, there were things that perhaps the
3 Commission could do as far as requiring or mandating that
4 payments be spread out over a longer period of time.

5 To me, that suggests some sort of rule change.
6 And what I'm trying to go ahead and find out is whether or
7 not when she makes those kind of alternative suggestions and
8 when she talks about the various measures and
9 recommendations she would impose on our proposal, whether
10 she's consistent on that.

11 And I think it's perfectly appropriate in
12 trying to determine what the validity of her recommendations
13 are, whether they're recommendations that Public Counsel is
14 prepared to go ahead and follow consistently.

15 MR. MICHEEL: And my only point was, your
16 Honor, that there is a substantive difference between an
17 emergency rule-making proceeding, via the law, and what you
18 need to prove and what needs to be done and that is for a
19 short term and that is -- you know, I think it can only go
20 90 days and things like that, and the situation that we're
21 in where this company wants to approve an experimental
22 program for three years.

23 And I think it's important that we know that
24 there's substantive differences. And counsel is trying to
25 say that in some way Public Counsel has been inconsistent.

00613

1 And all I'm saying is there are different statutory
2 requirements from what we're doing today and what we were
3 doing in the Emergency room Cold Weather Rule proceeding and
4 it's totally inappropriate for counsel to misconstrue that.

5 MR. PENDERGAST: Your Honor, I haven't accused
6 Public Counsel of being inconsistent although, you know

7 accept the observation.

8 And I don't believe I put in my hypothetical
9 that it's an emergency rule. I'm talking about in general
10 changes to the Cold Weather Rule. And I think it's an
11 appropriate line of inquiry.

12 MR. MICHEEL: If he wants to limit it to
13 excluding that emergency situation and say generally with
14 changes to the Cold Weather Rule or any other rules should
15 there be study and basis for those changes, I'm okay with
16 that.

17 But I think it's wholly inappropriate for him
18 to juxtapose an emergency situation with this situation,
19 because the statutory rules and regulations are different
20 and the goals are different.

21 MR. SCHWARZ: If I might for Staff as well, I
22 think that to the extent that there is an implication that
23 the process by which the Commission adopted the Emergency
24 Cold Weather Rule was in any way deficient, I would
25 certainly object to that.

00614

1 I know for a fact that the Commission
2 entertained and ruled on a motion for necessity of
3 rule-making prior to commencing the Emergency Cold Weather
4 Rule procedure.

5 And if there is any suggestion or implication
6 that the Commission's process was defective in respect of
7 the Commission considering that there was a problem and that
8 it needed to be addressed in a particular manner, then I
9 think that Laclede has gone far beyond anything that was
10 addressed to this witness by any inquisitor and that
11 indictment of the Commission's record in the Emergency Cold
12 Weather Rule proceeding is inappropriate at this time.

13 JUDGE RUTH: Did you have a response,
14 Mr. Pendergast?

15 MR. PENDERGAST: Well, I guess I'd only like
16 to say that I don't believe I ever made any claim of
17 inconsistency with Public Counsel. I know Mr. Micheel
18 mentioned that.

19 And as for saying anything about the Cold
20 Weather Rule not having been -- emergency amendments not
21 having been properly entered into, I don't believe I've made
22 that allegation either and I certainly didn't mean to imply
23 it. So with that said, I think Mr. Micheel has indicated
24 that he has no problem with her answering that on a general
25 basis.

00615

1 And although the matter seems to have been
2 resolved for now, I would note that as far as there being
3 different standards, yes, the emergency rule was designed to
4 do something that needs to be done to protect the life and
5 health of Missouri citizens. And we can all have our
6 different views as to whether or not this proposal is
7 designed to do that as well. But in any event.

8 JUDGE RUTH: Just a moment. Mr. Micheel, are
9 you willing to withdraw your objection if it is made
10 clear -- go ahead.

11 MR. MICHEEL: My only point was that the
12 preface of that question -- and we're getting on to whether
13 or not we were inconsistent -- and, I mean, I think if we
14 would go back through the transcript and look at the last

15 pending question, I think Mr. Pendergast said, Was Public
16 Counsel being inconsistent with what it had done in the
17 Emergency Cold Weather Rule with what it's doing now.

18 And as long as -- you know, he can ask my
19 witness whatever hypotheticals he wants, okay, and that
20 doesn't trouble me. But I just don't think it's an
21 appropriate characterization of what happened in the Cold
22 Weather Rule for the reasons I've stated, so --

23 JUDGE RUTH: Okay. Can you restate your
24 question for me?

25 MR. PENDERGAST: Certainly, your Honor. I'd
00616

1 be happy to give that a try.

2 BY MR. PENDERGAST:

3 Q. Is it your belief, Ms. Meisenheimer, and your
4 recommendation that before anyone should propose or before
5 the Commission should approve a change in its rules that
6 would tend to go ahead and impose -- or would have the
7 possibility of imposing additional costs on other customers
8 in the form of increased bad debts, that the same kind of
9 analyses, the same kind of experimental tests, the same kind
10 of recommendations that you're proposing and saying should
11 apply to the Catch-Up/Keep-Up program should also apply to
12 that particular proposal or action on the part of the
13 Commission?

14 MR. MICHEEL: And I am assuming that you're
15 excepting emergency situations in that question.

16 MR. PENDERGAST: I'll except emergency
17 situations without for a moment agreeing with any
18 implication that this doesn't have the same underlying
19 purpose. And when I say "this," the Catch-Up/Keep-Up
20 program as what was supposed to be accomplished by that
21 emergency rule-making, so except emergency situations.

22 JUDGE RUTH: And excepting emergency
23 situations, with that in mind, you can answer the question.
24 It was a long question.

25 THE WITNESS: I wish that I could answer the
00617

1 question with more complete knowledge regarding what I'm
2 being asked. I'm not someone in our office that has
3 regularly worked on the Cold Weather Rule issues and things
4 surrounding that.

5 As a general rule though, my experience with
6 Public Counsel over the years that I've been there is that,
7 in fact, we do analyze, based on our knowledge that we have
8 in existence, additional knowledge that we seek, picking up
9 the phone and calling those with knowledge that we feel we
10 can rely on, we do an analysis in developing positions.

11 With respect to the proposal that Laclede
12 brought forward, I believe that in learning about that
13 program and developing an alternative in the -- in the event
14 the Commission wanted to go forward, I relied on information
15 that I gathered from the company, conversations that I had
16 with the knowledgeable staff that the company has in
17 specific areas, Mr. Moten in particular was very helpful to
18 me. I also relied on knowledge that I have from other
19 areas.

20 I did -- I did not do -- I did not require the
21 same type of exhaustive information that I believe is
22 appropriate for evaluating success in recommending an

23 alternative in the event the Commission wants to go forward,
24 something that Public Counsel would not oppose. Our issue
25 was with the funding.

00618

1 Within my testimony, I presented a discussion
2 of what I believed was an analysis of whether I felt there
3 was sufficient need demonstrated to at least move forward
4 with an experiment and the sizing of that experiment.

5 BY MR. PENDERGAST:

6 Q. And then based on what you knew and excepting
7 the funding problem that Public Counsel has expressed it
8 has, the results of what you think an acceptable approach
9 would be is reflected in your testimony. Would that be
10 correct?

11 A. Setting aside the issue of the funding --

12 Q. Yes.

13 A. -- and recognizing that it wouldn't be my
14 first choice or the most appropriate design of a meaningful
15 program, certainly that's something that we said we would
16 not oppose if the Commission wanted to move forward --

17 Q. Okay.

18 A. -- with the conditions that we -- that we
19 included. However, I don't think at this point they've
20 all -- they've been agreed to.

21 Q. I understand. Are you aware that -- I think
22 you mentioned in response to several questions about wanting
23 to see additional information on contracts and that type of
24 thing. Were you at the early meetings when we were
25 discussing the Catch-Up/Keep-Up program? Do you know if you

00619

1 attended all those meetings?

2 A. I believe that, in fact, there were meetings
3 that I was not present with -- at; however, other Public
4 Counsel staff was. And I don't -- I don't necessarily even
5 know all the meetings that Laclede may have had with various
6 interested parties.

7 Q. Okay. Well, were you in the room the other
8 day when Mr. Moten testified that in response to a question
9 about having contracts with the agencies and that sort of
10 thing, that he was under the impression that he was not
11 supposed to talk to the agencies until we had an approved
12 program and discuss details, based on what he had heard in
13 those meetings?

14 A. I -- I remember part of that discussion.
15 Certainly the -- what was actually said is going to speak
16 for itself.

17 Q. Okay. But you don't know what meeting that
18 may have been said at?

19 A. I -- I don't remember being present at a
20 meeting where that -- where that was discussed. That
21 doesn't mean it -- the discussion didn't happen. It just
22 means either I was not at that meeting or I don't
23 specifically remember that discussion.

24 My experience has been -- well, also and based
25 on the information that I've reviewed that Laclede provided,

00620

1 I think Laclede has had innumerable discussions with
2 agencies. I don't know the specific details, but my
3 experience is that it's common for agencies and our office,
4 the Staff, and utilities to interact on issues that we feel

5 may be jointly of interest.

6 Q. But I'm talking about the specific terms of an
7 actual contract with an agency.

8 A. I -- I don't remember any discussion of that,
9 but that -- that doesn't mean it didn't -- that I dispute it
10 occurred. It's just that I don't remember.

11 Q. Okay. And are you aware of whether Laclede
12 has contracts in place with agencies for its weatherization
13 program?

14 A. I do not have personal knowledge of that. It
15 wouldn't surprise me.

16 Q. Okay. And if we already did have contracts in
17 place with the agencies as far as weatherization and those
18 had been basically entered into in consultation with Staff
19 and Public Counsel, am I assuming that you would not have a
20 concern about those contracts not having been provided by
21 the company?

22 A. I don't know what they relate to. I don't
23 know the circumstances around which or the level of
24 participation Public Counsel had in developing the specific
25 terms that would be included in a contract.

00621

1 In this proposal that the company has brought
2 forward, in my opinion, there are numerous issues that I do
3 not feel have been addressed or that I don't feel that I'm
4 comfortable with exact mechanics.

5 And so for me as an analyst -- I'm not an
6 attorney, but as an analyst, knowing things like what type
7 of information might the agencies be willing to provide,
8 what are they willing to commit to at this time, that is the
9 kind of information that I was hoping reviewing the
10 contracts would help with.

11 Also, certainly, you know, our legal staff
12 might have other issues with being able to review contracts
13 for their legality and that kind of thing.

14 Q. But at least as it applies to the
15 weatherization issue, you didn't try and find out what
16 contracts we might already have under our existing program
17 and what other people in Public Counsel's office that may
18 have worked on that -- to what degree they participated in?

19 A. Well, I did go and speak to DNR regarding
20 existing activity -- you did say weatherization. Did you --

21 Q. Right.

22 A. Beyond that or just weatherization?

23 Q. I'm just speaking of weatherization.

24 A. Okay. I had called and spoke to DNR in
25 advance regarding what was currently being done in Laclede's

00622

1 territory, what their -- what they provided. And the fact
2 that that was a negotiated and agreed upon settlement,
3 whoever worked on that at the time for Public Counsel, I
4 believe they must have been satisfied that they had
5 sufficient information.

6 Regarding this program and my job to analyze
7 it to see whether we think it is appropriate, I didn't feel
8 like I had sufficient information and have an opportunity to
9 see the interaction that would be set forth in contracts in
10 advance. And not necessarily the finalized. I believe I
11 mentioned sample.

12 Q. Okay. And are you aware of whether or not the

13 contracts for the weatherization program were entered into
14 and executed after the weatherization program had been
15 approved by the Commission?

16 A. I don't know.

17 Q. Okay. And do you know with respect to MGE's
18 program -- do you know when that program was approved?

19 A. May I add something to the last answer?

20 Q. Certainly.

21 A. I think it's relevant. The funding mechanism
22 in this case is something that will be done through a
23 different process. And so where does the money go
24 otherwise? There may be an issue in this instance that
25 there was not as much an issue with in that instance.

00623

1 Q. Okay. Fair enough. Do you know with respect
2 to the MGE low-income program, when that program was
3 approved, was a tariff also approved for it at the same
4 time?

5 A. I -- I'm not sure. I have been involved in
6 other cases in the area of telecommunications where the
7 Commission would identify what things it believed should be
8 built into an appropriate tariff.

9 So if we're -- you're wanting to go with this
10 assometimes to the -- does the Commission approve ideas
11 before it gets into the tariff? Yes, ideas. Does the
12 Commission and Staff, Public Counsel ultimately review what
13 that language looks like? Yes.

14 Q. Sure. But you wouldn't know specifically what
15 the order was in the MGE case as far as when it was
16 approved, when tariffs were filed, when contracts with the
17 agencies were established?

18 A. I'm sorry, I don't.

19 Q. Okay.

20 A. That was not something I -- I was greatly
21 involved in at that time.

22 Q. And can you tell me as a result of the
23 meetings that the company has had with the Staff and with
24 Public Counsel on the Catch-Up/Keep-Up program -- and I
25 realize that the changes we've made have not been

00624

1 sufficient, in your view, to be able to say they conform
2 with your conditions, but would it be a fair statement that
3 the company has made an effort to make a number of changes
4 to the program to try and address concerns that it's heard
5 from other parties?

6 A. It may believe that it has. In my opinion,
7 the original filing of this -- one of -- some of the things
8 that concern me greatly, in the original filing of this
9 program the company came forward wanting to fund up to
10 175 percent of the poverty level. In a different timing
11 after that -- or no, I'm sorry the original one was
12 150 percent.

13 The company then came back up with 175 in the
14 next filing, I think the September 23rd filing. Now the
15 company is willing to go to 150 in the first year and 175 in
16 the second year. That's no meaningful movement toward our
17 position from where you started out.

18 In addition to, say, for example, that aspect,
19 the terms of the program, the length of the program isn't,
20 in my opinion, any meaningful movement toward addressing the

21 concerns that we have.

22 Q. Well, let me ask you this. First of all, on
23 the 175 to 150, do you know whether you were at the meeting
24 when that particular change was discussed and why it was
25 being made? And I'm talking about a meeting with people

00625

1 from the Staff and Public Counsel.

2 A. The 150 and 175, this newest one?

3 Q. Yes.

4 A. I don't know that I was there.

5 Q. Okay. Would it be fair to say that the
6 company's at least made as many modifications in response to
7 the suggestions of other parties to its Catch-Up/Keep-Up
8 proposal as, for example, Staff made to its GSIP proposal in
9 the rate case -- I mean, that Public Counsel made to its
10 GSIP proposal in the rate case?

11 A. Well, I mean, if you're talking about the
12 count, certainly Laclede has -- we could count off more
13 times Laclede has made a change than Public Counsel. If
14 you're talking about where did we start versus where did we
15 end in terms of positions and incorporating concerns of
16 other parties, I -- I don't think that a count fairly
17 recognizes that.

18 Q. Okay.

19 A. And I -- the count doesn't matter, in my
20 opinion. We can switch back and forth and ultimately end up
21 exactly where we started with the proposal.

22 Q. We could if somebody is just switching back
23 and forth and if somebody's not making substantive changes
24 and --

25 MR. SCHWARZ: Is this a question or is this

00626

1 testimony from Mr. Pendergast?

2 MR. PENDERGAST: I think that's an excellent
3 observation and I'm going to quit testifying right now. Not
4 only am I going to quit testifying, I think I'm going to
5 quit asking questions. I'm finished, your Honor.

6 Thank you, Ms. Meisenheimer.

7 THE WITNESS: Thank you.

8 JUDGE RUTH: Staff, do you have questions for
9 this witness?

10 MR. SCHWARZ: Staff has no further questions.

11 JUDGE RUTH: We'll move to redirect.

12 MR. MICHEEL: I have no redirect for this
13 witness, your Honor.

14 JUDGE RUTH: Ms. Meisenheimer, you may step
15 down. You are not excused yet at this point. I'm sorry.
16 I'll let you know if I hear otherwise.

17 Okay. Department of Natural Resources, are
18 you ready to call your witness?

19 MR. MOLTENI: We are. Mr. Ronald Wyse is
20 here.

21 JUDGE RUTH: Mr. Wyse, would you raise your
22 right hand, please.

23 (Witness sworn.)

24 JUDGE RUTH: Okay. Thank you. You may
25 proceed, Mr. Molteni.

00627

1 MR. MOLTENI: Thank you, your Honor.

2 RONALD WYSE, having been sworn, testified as follows:

3 DIRECT EXAMINATION BY MR. MOLTENI:
4 Q. Would you please state your full name for the
5 record.
6 A. Ronald Wyse.
7 Q. And by whom are you employed?
8 A. Missouri Department of Natural Resources.
9 Q. And in what capacity are you employed by DNR?
10 A. I'm the program director for the Energy
11 Center, the residential and business program.
12 Q. And are you the same Ronald Wyse who filed
13 Direct Testimony in this case that's been marked as
14 Exhibit 5?
15 A. Yes, I am.
16 Q. And do you have any changes to that pre-filed
17 testimony?
18 A. No.
19 Q. And are the answers to the questions contained
20 in that testimony true and accurate, to the best of your
21 knowledge?
22 A. Yes.
23 Q. And if I were to ask you those same questions
24 today, would your answers be the same?
25 A. They would be the same.

00628
1 MR. MOLTENI: Let me offer Exhibit 5 into
2 evidence, please.
3 JUDGE RUTH: Exhibit 5, Mr. Wyse's Direct
4 Testimony, has been offered. Are there any objections?
5 MR. SCHWARZ: Not from Staff.
6 MR. MICHEEL: No.
7 MR. PENDERGAST: No.
8 JUDGE RUTH: Seeing no objections, Exhibit 5
9 is received.
10 (EXHIBIT NO. 5 WAS RECEIVED INTO EVIDENCE.)
11 JUDGE RUTH: You may proceed to rebuttal.
12 MR. MOLTENI: Thank you, your Honor.

13 BY MR. MOLTENI:
14 Q. Mr. Wyse, you are aware that Laclede has
15 amended the Catch-Up/Keep-Up program here at the hearing; is
16 that right?
17 A. Yes.
18 Q. And you're aware that among Laclede's
19 amendments, Laclede will provide an additional \$300,000
20 supplement to the company's existing weatherization program.
21 Correct?
22 A. That's what I understand.
23 Q. And assuming that the tariff sheet will
24 adequately explain how that additional supplemental \$300,000
25 is funded, is that a good thing from DNR's perspective?

00629
1 A. Yes. We believe so.
2 Q. And I assume that DNR -- well, let me ask you
3 this. Does DNR view Laclede's weatherization change as an
4 acknowledgment of the difference between Laclede's
5 originally proposed low-cost, no-cost weatherization
6 practices and the value of a true and a substantive
7 weatherization program?
8 A. Yes.
9 Q. DNR doesn't oppose low-income assistance, does
10 it?

11 A. No, it does not. It supports that type of
12 activity. State government through their LIHEAP provides
13 futile assistance payments.
14 Q. Do you feel -- let me strike that.
15 Does DNR think that a weatherization program
16 will have a more meaningful benefit then simply a low-income
17 assistance program?
18 A. Well, our position was that combined together
19 or -- a weatherization program would have a long-term impact
20 when you're reducing demand at the house.
21 Q. Now, DNR didn't take a position on the funding
22 mechanism in its position statement in this case; is that
23 right?
24 A. No, we did not.
25 Q. And that hasn't changed --

00630

1 A. No.
2 Q. -- even with the changes to the program that
3 Laclede has made at the hearing?
4 A. No.
5 Q. Okay. I'm going to shift gears a little bit
6 and talk a little bit about the cost benefit ratios that you
7 discuss a little bit in your Direct Testimony and that
8 Mr. Moten discussed. Did you hear Mr. Moten's testimony
9 on -- I believe it was Monday of this week? Were you here
10 for that?
11 A. Yes, I was.
12 Q. Did you hear Mr. Moten talk about the \$3.37 to
13 \$1 benefit to cost ratio for the EEMAA participation in the
14 UE weatherization project?
15 A. Yes, I did.
16 Q. And did you hear him talk about that being a
17 projected figure?
18 A. Yes. He characterized that as a projection.
19 And I would agree in the extent that it's -- that's the tool
20 we use. It's an energy audit. It's been around for about
21 10 years. It's was devised by Oak Ridge National
22 Laboratory. It's used by other states. It's the program
23 that the Department of Energy endorses.
24 We -- we utilize that to determine what's cost
25 effective for the home. And studies like the MGE study

00631

1 that's been presented to the Commission bear out, you know,
2 the results of the effectiveness of that audit.
3 Q. So you consider then that projected figure as
4 the product of a valid methodological approach?
5 A. Yes. I think Rolandis talked a little bit
6 about -- Rolandis Nash in his testimony about the
7 weatherization program. The audit is a computerized audit,
8 but it requires that someone go evaluate the home. We do
9 diagnostics like the blower door that he mentioned.
10 That information is used in the audit to
11 calculate what type of measures are to be used in the home.
12 And we only install those types of measures that are cost
13 effective.
14 Q. And are we talking about the U.S. Department
15 of Energy national audit procedure that you refer to in your
16 testimony?
17 A. Yes.
18 Q. Okay. Is there a training program for that?

19 A. Yes. Annually we file -- the program that we
20 administer is federally funded. We file an annual plan. As
21 part of that, we have to have a training plan. So the
22 people that -- statewide, including Laclede's service area,
23 we afford training to them. And certainly NEAT audit
24 training is one of the really basic or core part of our
25 training that we require.

00632

1 Q. NEAT is the acronym for the U.S. Department of
2 En--

3 A. Yes. National Energy Audit, N-E-A-T is an
4 acronym for the NEAT audit.

5 Q. And are you aware of whether anybody from
6 Laclede attended the NEAT audit training?

7 A. Yes, they have. As a matter of fact, we --
8 when the existing Laclede weatherization program that's now
9 in operation -- it got started I believe this summer. I had
10 contact with Ted Rhinehart, who's an engineer at Laclede
11 about the weatherization program. And I offered him -- by
12 coincidence we were having training in St. Louis, invited
13 him to attend the training, which he did, you know, attend
14 that audit training.

15 Q. And did Mr. Rhinehart express any opinion to
16 you about the quality of that training?

17 A. Yes. I didn't attend personally, but I talked
18 to him on the phone afterwards and he was complimentary of
19 one of the instructors that we -- that we had hired to do
20 the training.

21 Secondly, he had a better appreciation of the
22 protocols and procedures we use to evaluate and determine
23 what should be done to a house, was complimentary of that.
24 And he got to meet our auditors from several agencies on the
25 east side, which would include Laclede's service area, and

00633

1 was complimentary of their knowledge and skills.

2 Q. And are those protocols and procedures the
3 same that go into the NEAT audit itself that produced that
4 \$3.37 --

5 A. Yes.

6 Q. -- to \$1 --

7 A. Yes.

8 Q. -- benefit to cost ratio?

9 I'm going to switch gears again. Were you
10 here when Commissioner Murray asked Mr. Nash questions about
11 dialing down the thermostat?

12 A. Yes, I was.

13 Q. And she had an excellent point about dialing
14 down the thermostat is a good energy conservation measure.
15 Do you agree with that?

16 A. Yes.

17 Q. She asked Mr. Nash a specific question about
18 whether he knew for every -- what savings there would be,
19 and I don't know whether she meant in dollars or whether she
20 meant in calories, what energy is saved by dialing down per
21 degree. Do you have an answer to that?

22 A. Yes. I think I could answer that. And I
23 think -- and we have this information on our website. We
24 have a lot of information about residential energy
25 efficiency.

00634

1 But this information and what she was asking,
2 if you dial down your thermostat 1 degree, you should
3 expect -- now, this is for space heating. If you dial down
4 your thermostat for 1 degree, you should expect 1 percent
5 reduction in your space heating. Now, that's for an 8-hour
6 period.

7 If you did that for a 16-hour period, you'd
8 expect for every 1 degree, a 2 percent reduction in your
9 space heating. And, again, if you did that for a 24-hour
10 period, for every 1 degree you would expect a 3 percent
11 reduction.

12 Q. And, Mr. Wyse, in the weatherization programs
13 that DNR is involved with, does it provide consumer
14 education, for example, like that, the savings for dialing
15 down the thermostat in conjunction with weatherizing homes?

16 A. Yes, we do. And I think, again, I'll refer to
17 Rolandis Nash's testimony. When they go in and evaluate a
18 home and -- to do the energy audit that we've discussed,
19 part of what they do is they do interviews with the client,
20 they try to find out as much information about that
21 particular home.

22 But also in that process when they eventually
23 do make a determination of what to do, they counsel the
24 client, the homeowner, about energy savings, what they can
25 do. And also we provide our weatherization agencies with --
00635

1 with energy saving tips, brochures and those types of
2 things. So we do energy education as part of our protocol
3 for weatherizing a home.

4 Q. Now, there was some talk about collaborative
5 efforts between parties in the case. Has DNR been involved
6 in collaborative meetings before with other utilities?

7 A. Most recently with the Ameren company we were
8 involved with collaboratives involved the Public Service
9 Commission Staff, Office of Public Counsel and the utility
10 in working out how, for example, a weatherization program
11 would be implemented.

12 Q. And does DNR have a good working relationship
13 with the Office of Public Counsel?

14 A. Yes.

15 Q. And what about with the Public Service
16 Commission Staff?

17 A. Yes.

18 Q. And is there any reason why DNR -- why you
19 think DNR wouldn't have a good working relationship with our
20 friends from Laclede if the Commission were to order a
21 collaborative process?

22 A. I think a collaborative process would be good.

23 MR. MOLTENI: Thank you.

24 I will tender Mr. Wyse for cross-examination.

25 JUDGE RUTH: Public Counsel, do you have
00636

1 cross?

2 MR. MICHEEL: I have no questions for Mr. Wyse
3 today.

4 JUDGE RUTH: Thank you.

5 Staff?

6 MR. SCHWARZ: Staff has no questions for

7 Mr. Wyse.

8 JUDGE RUTH: And Laclede?

9 MR. ZUCKER: Just a few.
10 CROSS-EXAMINATION BY MR. ZUCKER:
11 Q. Good afternoon, Mr. Wyse.
12 A. It is afternoon, isn't it?
13 Q. I see by the clock, if that clock is accurate,
14 it is now afternoon.
15 Is it Wyse or Wyse?
16 A. It's Wyse.
17 Q. My name is Rick Zucker and I'm an attorney for
18 Laclede Gas. I have just a few questions for you.
19 I understand from the testimony you just gave
20 that you do not have any problem with low-cost and no-cost
21 weatherization practices; is that true?
22 A. I have no problem with that.
23 Q. In fact, you do them yourself. Right?
24 A. No.
25 Q. DNR does?
00637
1 A. No. It's not part of our program that we do
2 low-cost or no-cost. It's certainly something that's
3 eligible under the federal rules, but we don't approve that
4 in our contracts with our local agencies. Our -- our -- you
5 know, policy is that we do -- our efforts are towards long
6 term --
7 Q. Okay.
8 A. -- weatherization.
9 Q. And in answer to a question asked by your
10 counsel, you said that you do not oppose low-income
11 assistance?
12 A. We do not.
13 Q. And were you referring there to cash
14 assistance?
15 A. Right.
16 Q. And the type of cash assistance like arrearage
17 forgiveness?
18 A. Right.
19 Q. And so --
20 A. I mentioned the -- you know, the state has a
21 Low-Income Home Energy Assistance Program, which is part of
22 the program --
23 Q. The LIHEAP --
24 A. -- LIHEAP program the state offers.
25 Q. So, in your view, does Catch-Up/Keep-Up, as
00638
1 changed in Exhibit 13, now consist of a two-pronged approach
2 consisting of both cash assistance through arrearage
3 forgiveness and energy efficiency improvements through
4 weatherization?
5 A. That's what I understand, yes.
6 Q. And from your standpoint as director of the
7 Energy Center's residential and business center program, do
8 you now support the Catch-Up/Keep-Up program as changed in
9 Exhibit 13?
10 A. With those changes regarding the long-term
11 benefits of weatherization.
12 Q. Let me ask you one more question about the
13 3.37 to 1 issue --
14 A. Sure.
15 Q. -- or maybe just a few.
16 Mr. Moten's testimony was that those are

17 projections. And you agree with that?
18 A. Uh-huh. Yes.
19 Q. And those projections could be accurate or
20 they could turn out to be inaccurate based on whether the
21 assumptions made in those projections change. Is that not
22 true?
23 A. Certainly.
24 MR. ZUCKER: Okay. Mr. Wyse, thank you.
25 THE WITNESS: You bet.

00639

1 JUDGE RUTH: Okay. Mr. Wyse, we are going to
2 defer questions from the Bench until later this afternoon,
3 so you may step down, but we will recall you later.
4 Let me ask counsel. Staff, do you have
5 Mr. Imhoff available?
6 MS. SHEMWELL: He's not in the room at the
7 moment.
8 JUDGE RUTH: Okay. I was just wondering -- we
9 can either break now and have a very long break or we could
10 pull Mr. Imhoff and at least start direct and maybe part of
11 rebuttal.
12 MS. SHEMWELL: Imhoff.
13 JUDGE RUTH: Imhoff, excuse me.
14 MS. SHEMWELL: Thank you.
15 JUDGE RUTH: It's your witness, Staff. I
16 mean, I don't know where he is. If he's easily available --
17 MS. SHEMWELL: I assume he is available. Let
18 me see. It might make just as much sense to just start
19 right after lunch.
20 JUDGE RUTH: Let's go off the record.
21 (AN OFF-THE-RECORD DISCUSSION WAS HELD.)
22 JUDGE RUTH: Okay. Mr. Imhoff --
23 MR. SCHWARZ: Imhoff.
24 JUDGE RUTH: -- Imhoff is not available at
25 this time so we are going to break. We'll come back at 2:30

00640

1 and at that time if the Commissioners are available, we'll
2 actually continue with our previous witness, Mr. Wyse.
3 We're off the record. Thank you.
4 (A RECESS WAS TAKEN.)
5 JUDGE RUTH: Okay. We are back on the record
6 after a break in GT-2003-0117. Although Mr. Wyse is
7 available for further questioning, I've asked that we defer
8 questions from the Bench for Mr. Wyse and instead move on to
9 Staff's first witness.
10 MS. SHEMWELL: Staff calls Thomas Imhoff to
11 the stand.
12 JUDGE RUTH: Mr. Imhoff, would you raise your
13 right hand.
14 (Witness sworn.)
15 JUDGE RUTH: Thank you. You may proceed.
16 MS. SHEMWELL: Thank you.
17 THOMAS M. IMHOFF, having been sworn, testified as follows:
18 DIRECT EXAMINATION BY MS. SHEMWELL:
19 Q. Would you please state your name for the
20 record and spell your last name.
21 A. It is Thomas M. Imhoff. Last name is spelled
22 I-m-h-o-f-f.
23 Q. Mr. Imhoff, where do you work?
24 A. I work for the -- for the Missouri Public

25 Service Commission.

00641

1 Q. What do you do for the Commission?

2 A. I am the rate -- I am the rate and tariff
3 examination supervisor in the energy department.

4 Q. Mr. Imhoff, did you prepare the Direct
5 Testimony in this case that's been marked as Exhibit 7?

6 A. Yes.

7 Q. Do you have any corrections to your testimony?

8 A. Yes, I do.

9 Q. Page 4, line 22 the breakdown -- the breakdown
10 should be 26 million for rate increases and 3 million for
11 the -- for the service initiation fee.

12 Let's see. Also page 7, line 1 where it says,
13 The revenues received. That should read, The -- the income
14 received.

15 And then go back to Schedule 2. Under the
16 caption End Result, that should state -- it currently
17 states, In total revenues. That should state, In total
18 income.

19 Q. Any others?

20 A. Not that I'm aware of.

21 Q. If I were to ask you the same questions today,
22 would your answers be substantially the same?

23 A. Yes, they would.

24 Q. Is your testimony true and correct, to the
25 best of your knowledge?

00642

1 A. Yes, it is.

2 Q. Just a few brief rebuttal questions.

3 Mr. Imhoff, in Mr. Cline's Direct Testimony,
4 and I think it's page 4, he indicates that there are
5 similarities between Laclede's proposed Catch-Up/Keep-Up
6 program and other LDCs' low-income assistance programs. In
7 your opinion, are there differences in these programs?

8 A. Yes.

9 Q. Would you state what those differences are, in
10 your opinion?

11 A. All right. The major difference is the
12 funding of these programs. All of the non-GSIP programs
13 were established in the context of the LDC's rate cases;
14 whereas, this program is not.

15 And the funding is through their base rates
16 for the other LDCs, whereas, Laclede's proposed
17 Catch-Up/Keep-Up program will solely be funded through the
18 PGA/ACA process. And -- and with this proposed program, it
19 will be primarily on the backs of the firm sales customers,
20 which would be primarily the residential, which also
21 includes the low-income customers.

22 Q. You said the major differences. Are there
23 other differences?

24 A. Just that major difference.

25 Q. Thank you.

00643

1 In Mr. Cline's Direct Testimony on page 3, I
2 think at the bottom or in the middle there about line 14, he
3 noted funding programs -- or mechanisms for pipeline
4 discounts approved by the Commission and that the Commission
5 has approved those pipeline discounts. Do you have concerns
6 about using pipeline discounts?

7 A. Yes.
8 Q. Would you say what those are, please?
9 A. Well, in the past, Laclede's past programs
10 have been GSIPs, which have expired. It is my understanding
11 that this program is not a GSIP. So this is a very
12 important difference between when you're looking at the --
13 when you're looking at the appropriate funding mechanism.
14 What Laclede is now proposing is to take the
15 money out of the PGA/ACA process by charging their customers
16 more money than -- then what their actual gas costs will be
17 and they're using this to recover additional bad debt
18 expense. This is a mixing of gas costs with margin costs
19 and the Staff cannot recommend mixing those.
20 Q. When you say "margin costs," what are you
21 referring to?
22 A. Bad debt expense. Margin cost that is built
23 in the -- in their current base rates, their margin rates.
24 Q. Does Staff agree that low-income assistance is
25 needed?
00644
1 A. Yes.
2 Q. So if we can't go with the PGA mechanism, if
3 we can't recommend that to the Commission, what method of
4 funding do you recommend?
5 A. Well, it is unfortunate that Laclede did not
6 opt to try to include this in the rate case itself, so that
7 particular option has passed until the expiration of the
8 moratorium. And since this is not an incentive plan, that
9 option's out as well. So this basic-- this basically leaves
10 us with an AAO option, as noted in my Direct Testimony.
11 Q. Mr. Cline discusses in his testimony certain
12 aspects of MGE's current experimental low-income rate
13 program. Would you agree that these two programs are
14 similar?
15 A. No.
16 Q. Why not?
17 A. Well, MGE's program is a limited experimental
18 program. This program also has -- is set up as a low-income
19 rate that assists low-income customers in paying their
20 bills. MGE customers have up to 30 months to pay their
21 arrearages and it is also limited in scope. Laclede's is
22 not limited. And -- and MGE's program was set up in the
23 context of a rate case, where this program is not.
24 MS. SHEMWELL: That's all I have. I tender
25 the witness for cross.
00645
1 JUDGE RUTH: Okay. Now, you did not offer --
2 MS. SHEMWELL: I'm sorry. I will now offer
3 Mr. Imhoff's testimony, Exhibit 7.
4 JUDGE RUTH: Are there any objections to
5 Exhibit 7 being received into the record?
6 Seeing no objection, Exhibit 7, Mr. Imhoff's
7 Direct Testimony, is received into the record.
8 (EXHIBIT NO. 7 WAS RECEIVED INTO EVIDENCE.)
9 JUDGE RUTH: And, DNR, do you have cross?
10 MR. MOLTENI: No questions for Mr. Imhoff.
11 JUDGE RUTH: Public Counsel?
12 MR. MICHEEL: No questions today for
13 Mr. Imhoff.
14 JUDGE RUTH: And Laclede?

15 MR. PENDERGAST: Thank you, your Honor.
16 CROSS-EXAMINATION BY MR. PENDERGAST:
17 Q. Good morning -- it's been one of those days.
18 Good afternoon, Mr. Imhoff. How are you?
19 A. Just fine, Mr. Pendergast. How are you?
20 Q. Fine. Thank you.
21 At page 2 of your testimony you state that
22 you're here today to present Staff's position relating to
23 Laclede's proposed tariff that includes its Catch-Up/Keep-Up
24 program; is that correct?
25 A. Yes. I am one of the -- let me count the
00646
1 number of witnesses -- five witnesses I think, Staff
2 witnesses.
3 Q. Okay. Let me ask you a little bit about those
4 witnesses. They include Mr. Rackers and Mr. Cassidy; is
5 that correct?
6 A. Yes.
7 Q. And do they work in the Commission's
8 accounting department?
9 A. Yes.
10 Q. We also have a Staff witness, Mr. Sommerer,
11 who works as the manager of the procurement analysis
12 department?
13 A. Yes.
14 Q. And Mr. Warren, who works in the energy
15 tariffs rate design department; is that correct?
16 A. Yes.
17 Q. And I was curious, do any of these people, to
18 your knowledge, deal with low-income customers on a daily
19 basis?
20 A. Not that I'm aware of, no.
21 Q. Do they talk to them on the telephone, try and
22 find out what problems they're having getting their service
23 restored and generally communicate with them on a fairly
24 frequent basis?
25 A. Not on a frequent basis.
00647
1 Q. Okay. Do they --
2 A. However, there are times when we do receive
3 customer complaint calls and it does sometimes deal with
4 low-income.
5 Q. Okay. Fair enough.
6 And do they supervise the people who do do
7 that at the Commission, talk with low-income and other
8 customers on a frequent, if not daily, basis?
9 A. No, they do not.
10 Q. Okay. But you do have a department here at
11 the Commission that does do that, that is in constant
12 communication with all of Laclede's customers and the
13 customers of other utilities, including low-income
14 customers?
15 A. Yes, we do.
16 Q. And what department would that be?
17 A. That would be Janet Hirschman's group,
18 consumer services.
19 Q. Okay. And you talked a little bit about the
20 fact that this proposal was discussed in our rate case. Was
21 Ms. Hirschman involved in those discussions?
22 A. I don't remember.

23 Q. Okay. Well, let me ask you this. Well, would
24 you be surprised if she had been involved in those
25 discussions?

00648

1 A. Some-- well, sometimes she does get involved;
2 other times she doesn't, so --

3 Q. Was there any particular reason why you didn't
4 have Ms. Hirschman or somebody from the customer service
5 department that has daily contact with customers and, in
6 particular, low-income customers --

7 MS. SHEMWELL: Judge, I'm going to object. I
8 don't know why Mr. Imhoff would know, but if Mr. Pendergast
9 would like to visit with Ms. Hirschman, we can certainly
10 call her down here to testify. I would --

11 JUDGE RUTH: Okay. Clarify the basis of your
12 objection then.

13 MS. SHEMWELL: I don't know how Mr. Imhoff
14 would know about why Ms. Hirschman is or is not involved in
15 this case. But certainly if Mr. Pendergast wants to talk to
16 her, we can call her in. That's the basis.

17 JUDGE RUTH: Do you have a response?

18 MR. PENDERGAST: My response is that if he
19 doesn't know, he can tell me he doesn't know and if he does,
20 he can tell me he does know. And that's all I'm asking for.

21 JUDGE RUTH: I'm going to overrule the
22 objection.

23 THE WITNESS: Would you mind repeating the
24 question? I hate doing that.

25 BY MR. PENDERGAST:

00649

1 Q. Do you know why Ms. Hirschman or somebody else
2 from the department that deals with low-income customers
3 every day, what kind of problems they have with their
4 utility service and restoring service, why she's not a Staff
5 witness in this case?

6 A. I don't know.

7 MR. PENDERGAST: Okay. Your Honor, if I could
8 approach the witness?

9 JUDGE RUTH: Yes. Would you show that to
10 counsel, please?

11 BY MR. PENDERGAST:

12 Q. Would you please identify the document I just
13 handed you?

14 A. It is the Direct Testimony of Michael T. Cline
15 for the current case, GT-2003-0117.

16 Q. And do you recall, Mr. Imhoff, has that
17 previously been marked as Exhibit 3 in this case?

18 A. I would assume so. I don't know what the
19 exact exhibit number is, but I'll -- I would assume so, yes.

20 Q. Thank you. And the reason I'm giving it to
21 you, you've had some discussion already I believe with
22 Ms. Shemwell about the MGE low-income program. And if you
23 look at Mr. Cline's testimony and the schedules to that
24 testimony, you'll find that there is a copy of the MGE
25 low-income tariff attached to it. And I believe it's

00650

1 Schedule 3. Do you see that, MTC-3?

2 A. Yes. I've got it now.

3 Q. Okay. And is that the low-income -- MGE
4 low-income program you were referring to in response to some

5 questions from Ms. Shemwell?
6 A. Yes.
7 Q. Is that also the one that you were referring
8 to at page 3 of your Direct Testimony?
9 A. Yes.
10 Q. Okay. And is it fair to say that Staff
11 supported the MGE low-income program and continues to
12 support it?
13 A. Yes.
14 Q. And does that program provide qualified
15 low-income customers with credits to their bills ranging
16 between 20 and 40 dollars a month depending on their level
17 of income?
18 A. Yes.
19 Q. And those credits can be provided for up to
20 24 months for each customer; is that correct?
21 A. 24 or 30 months, I believe, isn't it?
22 Q. There's something in there on arrearages,
23 which talks about the company's discretion I think to extend
24 those out anywhere between --
25 A. 24 or 30, okay.

00651
1 Q. But I think the credits themselves --
2 A. Oh --
3 Q. -- can be provided for up to 24 months; is
4 that correct?
5 A. Yes.
6 Q. Okay. So for a particular customer who's
7 eligible for the \$40 credit per month, if they stayed on the
8 program for the full two years, what level of credits would
9 that amount to?
10 A. Approximately \$960.
11 Q. I think it may be exactly \$960.
12 A. Okay.
13 Q. And as we also discussed, the program provides
14 for arrearages to be paid by the customer over a period of
15 12, 24 or 30 months; is that correct?
16 A. Yes.
17 Q. But that's subject to an agreement by the
18 utility and the customer; is that correct?
19 A. Yes.
20 Q. Has to be mutually agreed upon?
21 A. Yes.
22 Q. And to fund this credit and the other program
23 expenditures, does the program provide for a charge of
24 8 cents per month on each residential customer?
25 A. Yes.

00652
1 Q. Now, I'd like to ask you a few questions, if I
2 could, about how the MGE program compares to Laclede's
3 Catch-Up/Keep-Up program, maybe elaborate a little bit on
4 your answers to Ms. Shemwell.
5 First, does the MGE program require that the
6 participating customer go on MGE's average bill calculation
7 plan?
8 A. Yes.
9 Q. Is that basically a levelized plan where you
10 take whatever the customer's bill is and spread it out over
11 a 12-month period?
12 A. Yes.

13 Q. Okay. And do you believe that's an
14 appropriate feature of the program?

15 A. It was one that the Staff agreed to, so yes.

16 Q. And can you tell me why you think it's an
17 appropriate feature of the program?

18 A. It -- it gives us the opportunity to
19 experiment and see how and -- and how well the program
20 itself works.

21 Q. Yeah. I guess I was trying to be a little
22 more specific. I realize the whole program gives you an
23 opportunity to do that, but why have a feature that puts a
24 customer on a levelized bill as part of the program? You
25 said that was appropriate, but why a levelized bill versus
00653 just, you know, a normal bill that fluctuates up and down?

2 A. Because most people when they get into a level
3 payment plan, they like to know how much their bill's going
4 to be per month.

5 Q. Okay. Fair enough.

6 And does Laclede's Catch-Up/Keep-Up program,
7 as the company proposed it, require that customers also go
8 on a levelized bill?

9 A. Yes.

10 Q. Okay. So from the standpoint that it does
11 that, do you think that particular aspect of it's
12 appropriate?

13 A. Yes.

14 Q. Okay. And does the MGE program also require
15 that the customer stay current on his levelized payments in
16 order to receive the credit?

17 A. Yes. Excuse me. Yes.

18 Q. Okay. And do you think that's appropriate?

19 A. Yes.

20 Q. And can you explain why you believe that's
21 appropriate?

22 A. Because it helps keep them -- if they stay
23 current or if they keep making their payments, they can stay
24 on -- on the system itself and they can avoid the -- being
25 disconnected or -- and have to go through the problems of
00654 trying to be reconnected. So I think it's -- I think it
2 would be appropriate for them to be able to maintain their
3 payments.

4 Q. Well, and they also receive the credit too --

5 A. Right.

6 Q. -- if they do that?

7 A. Right.

8 Q. Which is something that's of some financial
9 benefit to them, wouldn't you agree?

10 A. Yes.

11 Q. Okay. And does the Catch-Up/Keep-Up program
12 also require that customers continue to make timely payments
13 in order to go ahead and receive payments for their
14 arrearages?

15 A. Yes.

16 Q. And do you, likewise, think that it's
17 appropriate to go ahead and require customers to continue to
18 make payments in order to receive that financial benefit?

19 A. Yes. Sure.

20 Q. So from that standpoint you think that would

21 be an appropriate aspect of the Catch-Up/Keep-Up program?
22 A. Yes.
23 Q. Okay. Does the MGE program also require the
24 customer apply for governmental sources of energy
25 assistance? And just to speed things along, Mr. Imhoff, I'd

00655
1 refer you to page 2 of 4 and point you to No. 1 under Energy
2 Assistance.

3 A. Yes.
4 Q. Okay. And do you think that's an appropriate
5 provision?

6 A. Yes.
7 Q. Okay. Can you explain to me why you believe
8 it's an appropriate provision?

9 A. If the customer can receive the benefit of
10 LIHEAP funds, anything that can help out the low-income
11 customer I think is good.

12 Q. Okay. And there's a Catch-Up/Keep-Up -- does
13 the Catch-Up/Keep-Up program also have a provision requiring
14 the customers apply for governmental sources of assistance
15 like LIHEAP?

16 A. Yes, it does.

17 Q. And to the extent it does, just like with the
18 MGE program, do you think that's an appropriate provision?

19 A. Yes.

20 Q. I'd like to ask you about those customers who
21 for whatever reason fail to go ahead and stay current on
22 their payments under the MGE program. Do those customers
23 have an opportunity to be reinstated?

24 A. Would you mind repeating the question? I'm
25 sorry.

00656
1 Q. Yes. For customers who, for whatever reason,
2 are unable or fail to go ahead and keep up with their
3 payments, keep current and, therefore, they're eligible for
4 exclusion from the program or are excluded, is there a
5 provision in the tariff for those customers to be
6 reinstated?

7 A. I believe there is.

8 Q. Yes. And if I could refer you to the bottom
9 of page 3 of 4.

10 A. Are we still on Mr. Cline's testimony?

11 Q. Yes.

12 A. I'm sorry. I didn't know if you were talking
13 about the Catch-Up/Keep-Up tariffs --

14 Q. No. We'll get to that in a moment.

15 A. Page 3 of 4?

16 Q. Yes.

17 A. Okay. Yes.

18 Q. Okay. And how does that reinstatement of the
19 LER credit, the 20 and 40 dollars that we've been talking
20 about, take place?

21 A. It states that it would be at the -- at the
22 discretion of MGE.

23 Q. Okay. And can you tell me, do you know what
24 criteria MGE uses to make that determination?

25 A. I don't know --

00657
1 Q. Do you know --
2 A. -- on that particular determination.

3 Q. Well, let me ask you this. Is it of concern
4 to you that there isn't anything specific in the tariff that
5 explains how that discretion will be exercised or what
6 criteria will be used?

7 A. I believe that I'd probably have to refer you
8 to Staff Witness Henry Warren, because he was the one who
9 actually helped put this tariff together, so he may be
10 more -- or he may be better able to answer that particular
11 question as to -- it's possible that they may know what are
12 the basis for MGE to make it at their discretion.

13 Q. Okay. But just from the standpoint of looking
14 at the tariff itself, you can't find anything in here that
15 would provide you with any particular guidance on that
16 issue; is that correct?

17 A. Yes.

18 Q. Yes, that you can't find any guidance?

19 A. Yes, that I can't see it in the -- I can't
20 find anything in the tariff.

21 Q. Okay. Thank you.

22 A. Excuse me.

23 Q. And do you know whether under the
24 Catch-Up/Keep-Up program customers can also either be
25 reinstated or remain on the program if they fail to make
00658 1 payments due to extenuating circumstances?

2 A. That is in the tariff, yes.

3 Q. Okay. And we've had some discussion about
4 extenuating circumstances and whether it's specific enough.
5 And I'd just like your opinion from the tariff standpoint.
6 Is extenuating circumstances at least as specific as at the
7 discretion of MGE?

8 A. I would have to say yes.

9 Q. Now, in your testimony you talk about the term
10 of the program -- yes, but don't lay it too far aside.

11 A. Okay.

12 Q. You express the concern, I believe in your
13 testimony, that there was no term to the Catch-Up/Keep-Up
14 program, no ending date; is that correct?

15 A. Yes.

16 Q. Okay. And are you aware that the company has
17 now proposed an ending date?

18 A. Yes.

19 Q. Okay. And, as I understand it, part of your
20 concern was that as the company retained a share or
21 collected a share of these pipeline discounts to fund the
22 program, that they would continue to roll forward and that
23 absent some kind of termination date, there would have to be
24 a separate proceeding to return those to customers; is that
25 correct?

00659

1 A. Yes.

2 Q. The Catch-Up/Keep-Up program did say even
3 initially that once it was terminated though, it would go
4 back to customers, is that correct, through the PGA?

5 A. Yes.

6 Q. Okay. And this concern about it going back to
7 customers, when you say customers, are you talking about all
8 utility customers?

9 A. I'm talking about the customers who are paying
10 for it.

11 Q. Okay. And I'd like to ask you a little bit
12 about the MGE tariff. When that program is over, to the
13 extent that there's any funds that have been unused, left
14 over like we were talking about in the Catch-Up/Keep-Up,
15 what mechanism does that have to make sure it goes back to
16 the customers who paid for it?

17 A. I'm not sure.

18 Q. Well, let me refer you, if I could, to page 4
19 of 4 once again of Mr. Cline's Schedule 3, and ask you to
20 read the last sentence under the provision titled Other
21 Conditions.

22 A. If any actual surcharge revenue in excess of
23 actual program expenses remains at the end of the ELIR
24 program and evaluation, MGE shall contribute an amount equal
25 to the surplus revenue to the MidAmerica Assistance

00660

1 Coalition.

2 Q. Okay. Now, would that indicate to you that
3 rather than going back to all customers who paid for it, as
4 you said, that if there's a difference between what was
5 spent and what was collected in rates, that it would go to
6 this MidAmerica Assistance Coalition?

7 A. According to MGE's tariff, it would go back to
8 MidAmerica Assistance Coalition. But you also have to look
9 at the standpoint that this program was developed in the
10 context of a rate case and has nothing to do with the
11 pipeline discounts.

12 Q. Oh, that's fine. That's certainly a point
13 that you can make. But my question to you is, you had
14 expressed a concern about these items, the amounts that
15 customers had paid that you wanted it to go back to the
16 customers who paid it and that you had a concern that that
17 wouldn't happen without a separate proceeding under the
18 Catch-Up/Keep-Up program. Correct?

19 A. Yes.

20 Q. Okay. Now, we have a term and we have a
21 provision that says it will go back to all customers; is
22 that correct?

23 A. Yes.

24 Q. And, in contrast, the MGE program that Staff
25 supports doesn't go ahead and send it back to all customers

00661

1 who paid for it at all, does it?

2 A. No.

3 Q. Okay. Is that MGE provision that doesn't send
4 it back to customers at all superior, in your view, to the
5 Catch-Up/Keep-Up provision that does send it back to
6 customers?

7 A. I don't think that it would be superior, no.

8 Q. Would the provision of the Catch-Up/Keep-Up
9 program that does send it back to all customers be superior
10 to this one that does not?

11 A. This -- it should go -- it should go back to
12 all of the customers in the Catch-Up/Keep-Up program due to
13 the way it was funded.

14 In the ELIR program all relevant factors were
15 taken into account, so that was expense -- that money was
16 allocated to that particular program, so I can't -- I don't
17 think either one would be superior to the other.

18 Q. Well, let me ask it this way then. From the

19 standpoint you expressed a concern in your testimony about
20 making sure that any amounts that weren't used go back to
21 the customers that paid for it, which one, in your view,
22 does a more precise, more accurate and better job of that,
23 the mechanism in the Catch-Up/Keep-Up or this one that sends
24 it to the MidAmerica Assistance Coalition?

25 A. The mechanism in the Catch-Up/Keep-Up.

00662

1 Q. Thank you.
2 You've also talked about needing to gather
3 information and data and being able to go ahead and
4 determine what the impact of the Catch-Up/Keep-Up program
5 is; is that correct?

6 A. Yes.

7 Q. Okay. And you view that as being something
8 that's important?

9 A. The Staff does view that as being important,
10 yes.

11 Q. Okay. And can you tell me under the MGE
12 program what type of data -- I think you can look at Other
13 Conditions once again -- is required to be collected and
14 maintained?

15 A. It states that, MGE will gather participant
16 data on usage, arrears, payments and other relevant factors,
17 which will be combined with the data provided by the agency
18 to enable the evaluation of the program. MGE shall make
19 non-confidential data as well as any and all program
20 evaluations that are conducted available to interested
21 parties.

22 Q. Okay. Fine. Thank you.
23 And are you familiar with the data that the
24 company had originally agreed to go ahead and collect and
25 that in response to Ms. Meisenheimer's suggestions the

00663

1 company has agreed to also collect as far as record-keeping?

2 A. No.

3 Q. Okay.

4 MR. PENDERGAST: Could I approach the witness,
5 please?

6 JUDGE RUTH: Yes.

7 MS. SHEMWELL: Mike, you want to show it to us
8 first?

9 MR. PENDERGAST: I apologize. It's
10 Exhibit 13.

11 THE WITNESS: Exhibit 14?

12 BY MR. PENDERGAST:

13 Q. Exhibit 13. You have that?

14 A. Yes.

15 Q. Do you have a copy of Exhibit 13?

16 A. Yes.

17 Q. And is that a copy of a red-lined version of
18 the tariff that the company filed with various changes that
19 it has proposed to make?

20 A. Yes.

21 Q. And I'd like to refer you to page 28-J, if I
22 could. Well, it's got 28-J at the top. Do you see that --

23 A. Yes.

24 Q. -- tariff number?

25 And if we go down to Section F, does that have

00664

1 a listing of various kinds of information and data that the
2 company would collect if the program were approved?
3 A. Yes, it does have a listing.
4 Q. Okay. And that has approximately 16 separate
5 items on them; is that correct?
6 A. Yes.
7 Q. And it talks about keeping information and
8 collecting it on a monthly basis with respect to customers
9 and arrearages and income levels and so forth and so on; is
10 that correct?
11 A. Yes, it does.
12 Q. Okay. Just comparing this to the sentence
13 that you read in the MGE tariff here, which one would you
14 say provides for a more exhaustive and complete list of data
15 and information to be kept?
16 A. I can't tell. If you look at the MGE tariff,
17 it also says other relevant factors. And I'm not sure just
18 exactly what all of the additional information that's there
19 is.
20 Again, I think I would refer you to Staff
21 Witness Henry Warren who actually helped put this together
22 and he would be the more appropriate Staff witness to
23 actually let you know how this compares to the
24 Catch-Up/Keep-Up as far as the total record-keeping.
25 Q. Sure. And I appreciate that. And I guess as
00665
1 with one of our previous discussions, I would simply go back
2 and say but from a tariff standpoint, if you're talking
3 about specificity as to what information should be kept and
4 what the nature of that information should be, which one
5 does a more complete job of that, the Catch-Up/Keep-Up
6 tariff or the MGE tariff?
7 A. The Catch-Up/Keep-Up tariff does have more
8 specifics outlined.
9 Q. Okay. Thank you.
10 And was the lack of that level of specifics in
11 the MGE tariff anything that led Staff to believe it would
12 have a hard time supporting it?
13 A. Which one? MGE's?
14 Q. Yes.
15 A. I don't know.
16 Q. Okay. I believe in your testimony you
17 commented on the fact that what you characterize as a rate
18 increase associated with not flowing through all of the
19 pipeline discounts through the PGA, that you had a concern
20 that the impact of that would be felt by all customers,
21 including low-income customers; is that correct?
22 A. All firm sales customers, which also includes
23 low-income, yes.
24 Q. Okay. And if we go to the MGE tariff, it has
25 the 8 cents per month surcharge to fund its low-income
00666
1 program applicable to all residential customers; is that
2 correct?
3 A. Yes.
4 Q. Okay. And when it's applicable to all
5 residential customers, would that be low-income customers as
6 well?
7 A. Yes.
8 Q. And the fact that low-income customers would

9 have to go ahead and pay that charge that's being used to
10 fund the credits for the participating customers was not a
11 reason in the MGE case at least that you could not believe
12 the program was appropriate and could be supported, was it?

13 A. It was only 8 cents a month, so we didn't
14 see -- again, I'll need to -- I'll need you to refer to
15 Henry Warren because he was the one who actually worked
16 out -- worked on this.

17 Q. But apparently Staff thought it was
18 appropriate, whether it was 8 cents or whatever, that it be
19 applied to all customers including low-income customers; is
20 that right?

21 A. Yes. Yes. The Staff did recommend approval.

22 Q. Okay. And in the MGE case it is applicable
23 only to residential customers; is that correct?

24 A. Yes.

25 Q. Okay. Because I know in your testimony you
00667

1 expressed a concern that under the company's proposal the
2 pipeline discount portion applicable to firm transportation
3 customers are not being used to fund the program; is that
4 correct?

5 A. Yes.

6 Q. Under the surcharge in the MGE case, the
7 surcharge is applicable only to residential customers; is
8 that correct?

9 A. Yes.

10 Q. So transportation customers of MGE aren't
11 paying for that program, are they?

12 A. Not that I'm aware of.

13 Q. Okay. And can you tell me -- once again, I
14 assume that Staff thought that was appropriate because it
15 supported the program; is that correct?

16 A. The Staff did recommend approval, but as I
17 have previously stated, Staff Witness Henry Warren would be
18 the more appropriate witness to discuss all of the details
19 of the MGE program.

20 Q. Okay. Do you know whether a portion of
21 uncollectible expense -- MGE's uncollectible expense is
22 allocated to transportation customers?

23 A. Yes.

24 Q. Okay. And can you tell me why you think it
25 was appropriate, if you know, to limit the surcharge to
00668

1 residential customers?

2 A. I don't know. Again, I have to refer you to
3 Staff Witness Henry Warren as the witness to that.

4 Q. Okay. With respect to the MGE program, is
5 there -- well, we have an 8 cents charge. I think we've
6 established that that's used to pay for the credits. Okay.
7 Can you tell me what cost benefit other customers are going
8 to receive, the ones that are paying that 8 cents charge
9 with respect to MGE?

10 A. I don't know what the cost benefit would be,
11 no.

12 Q. Is there a quantification that you've heard
13 about or seen or are aware of that Staff has done to say,
14 okay, customers are spending 8 cents and we expect them to
15 get a benefit of 4 cents or 5 cents in the future?

16 A. I'm not aware. Again, I'll have to refer you

17 to Staff Witness Warren on that.
18 Q. Because I do know that you did talk quite a
19 bit in your testimony about the absence of the
20 quantification of benefits by Laclede --
21 A. Yes.
22 Q. -- with respect to the Catch-Up/Keep-Up
23 program. And in making those comments and drafting that
24 testimony, did you go and talk to the folks involved in the
25 MGE case and ask what kind of quantification of benefits had
00669 been done there?
1 A. No, I did not.
2 Q. So when you wrote --
3 A. But I did -- but we did request quantification
4 of cost and benefits from Laclede Gas and they could not
5 provide any data to us, so --
6 Q. Well, did you request that from MGE or did you
7 request that in the context of the MGE case?
8 A. I'm not sure about the MGE case. Again, as I
9 stated previously, Staff Witness Henry Warren was the Staff
10 witness that worked on the MGE experimental low-income.
11 Q. Okay. Well, fair enough. But from what you
12 know -- from what you know right now, the absence or
13 existence of a quantification of benefits, you don't know
14 whether there was any more of a quantification of benefits
15 with respect to the MGE program that Staff supports and
16 supported then versus what you say is the quantification --
17 or absence of quantification of benefits given on the
18 Catch-Up/Keep-Up program. Would that be fair to say?
19 A. It would be fair to say that I did not
20 particularly work on the MGE case so I don't know what data
21 was actually requested. Again, I have to refer you to Staff
22 Witness Henry Warren.
23 But I have worked on the Catch-Up/Keep-Up and
24 that particular information was requested and it was not
00670 provided. It said that there -- that there were -- no costs
1 or benefits were quantified --
2 Q. Yes. And --
3 A. -- so --
4 Q. But, once again, I'm asking to your knowledge.
5 To your knowledge, when you made that statement, you don't
6 know whether there's anymore of a quantification of
7 benefits for MGE than what you think you received from
8 Laclede; is that correct?
9 MS. SHEMWELL: Judge, I'm going to object.
10 It's been asked and answered and asked and answered, and
11 he's referred to Mr. Warren as the expert in the MGE case
12 repeatedly.
13 MR. PENDERGAST: I'm just asking to his
14 knowledge and whether he knows there's any more of a
15 quantification here than there.
16 JUDGE RUTH: I think you're getting close to
17 the line of asked and answered. I'll give you a little bit
18 of leeway, but you may need to move on to a new topic. You
19 may continue. Overruled.
20 THE WITNESS: Would you mind repeating the
21 question?
22 BY MR. PENDERGAST:
23 Q. And I'll only ask it one more time, I promise.
24

25 But from what you know, your own personal
00671
1 knowledge, you don't know if there was any more of a
2 quantification of benefits to support the MGE low-income
3 program than what you say does or does not exist with
4 respect to the Catch-Up/Keep-Up program?
5 A. I have no personal knowledge, but I would also
6 assume that the Staff had data that they looked at when they
7 made the recommendation for approval.
8 Q. Okay. But, once again, that's an assumption
9 on your part. Did you know that for a fact or is that just
10 an assumption?
11 A. That's just an assumption on my part.
12 Q. Okay. Thank you. Is there an expectation --
13 and maybe we'll have to ask Mr. Warren this too -- but that
14 the MGE low-income program will reduce bad debts?
15 A. You're probably going to have to ask
16 Mr. Warren that, but I would hope that there would be.
17 Q. Okay. And is there a mechanism that you see
18 anywhere in the tariff or that you're aware of outside of
19 the tariff that if that reduction in bad debts happens
20 between rate cases, that that will somehow be flowed back to
21 customers?
22 A. Which tariff are you referring to --
23 Q. The MG--
24 A. -- MGE's or the Catch-Up/Keep-Up?
25 Q. Yeah. MGE's.
00672
1 A. I don't see anything in the MGE tariff.
2 Q. Okay. Let me ask you about Laclede's. We do
3 have language in there that says -- and I'd refer you to
4 Exhibit 13 again.
5 Do we have language on 28-K that talks about
6 to the extent that the program results in reduction in
7 uncollectible expense and the program is ongoing or
8 re-established, a reduction should be reflected in the
9 company's cost of service and rate recovery?
10 A. That's what it states.
11 Q. Okay. And are you aware in our last case and
12 the case before that whether a mechanism was approved by the
13 Commission that is designed to track the incremental costs
14 of complying with the Commission's Emergency Cold Weather
15 Rule?
16 A. I believe that there was one, yes.
17 Q. Okay. And, to your knowledge, under that
18 mechanism is there a tracking that goes on to show that
19 those customers that came on as a result of the Cold Weather
20 Rule and perhaps left the company with some bad debts or
21 continue to have bad debts, that to the extent that was
22 caused by the Emergency Cold Weather Rule, the company would
23 be able to recover those amounts in a subsequent rate case?
24 A. I think there's something in there like that,
25 yes.
00673
1 Q. Okay. And to the extent that the
2 Catch-Up/Keep-Up program is implemented and the customers
3 that were subject to that rule have bad debts that are paid
4 down by that Catch-Up/Keep-Up program, would the financial
5 impact of that be, to your knowledge, tracked and then
6 reflected to the benefit of customers in a subsequent rate

7 case?

8 A. Would you mind repeating the question? I'm
9 sorry. I kind of --

10 Q. Yes. The tracking mechanism allows the
11 company, to the extent its bad debt expense goes up because
12 of the Emergency Cold Weather Rule for customers that took
13 advantage of that, to recover those costs at some point in
14 the future.

15 And what I'm asking you is, to the extent that
16 the Catch-Up/Keep-Up program helps to pay down those
17 arrearages, is that payment down a financial offset or
18 benefit that because of the existence of that tracking
19 mechanism customers will go ahead and be able to take
20 advantage of in our next rate case?

21 A. I guess it all depends on when you file your
22 next rate case.

23 Q. Well, whenever we file the next rate case, the
24 tracking mechanism said that these things would be tracked
25 and then they'd be subject to recovery; is that correct?

00674

1 A. For the -- for the Emergency Cold Weather Rule
2 we're talking about now or the Catch-Up/Keep-Up?

3 Q. Yes. For the Emergency Cold Weather Rule.

4 A. I'm sorry. I believe that's correct.

5 Q. Okay. And so whenever that case is, to the
6 extent that there are offsets to what we would have
7 otherwise recovered because payments have been made under
8 the Catch-Up/Keep-Up program, those would go to offset what
9 we would have otherwise recovered and those financial
10 benefits will, in fact, be received by other customers.
11 Wouldn't that be the case?

12 A. I'm not sure, but I think I'll refer you to
13 Staff Witness Steve Rackers as it relates to -- as it
14 relates to the financial aspect.

15 Q. Okay. But you've heard the testimony of
16 Laclede witnesses to that effect, haven't you?

17 A. I've been in and out so, you know, I don't
18 know if I've heard --

19 Q. Well, let me ask you this. When you talked in
20 your testimony about \$6 million worth of program funding and
21 that -- you know, going to reduce bad debts and going to
22 help the company's bottom line, were the workings and
23 potential impact of this tracking mechanism something you
24 took into consideration?

25 A. We would want to track the cost, so yes.

00675

1 Q. So -- so --

2 A. Yes.

3 Q. It's something you took into consideration?

4 A. Yes.

5 Q. Okay. And so when you took it into
6 consideration, what impact did you conclude that tracking
7 mechanism would have?

8 A. As far as the cost of the tracking mechanism?

9 Q. No. As far as the financial impact on Laclede
10 of using this funding to reduce bad debts.

11 A. We would see whether or not there would be a
12 benefit or if the benefit would outweigh the cost, so --

13 Q. Well, I'm not really asking that. I'm --
14 well, let me put it this way. If we want to talk to

15 somebody on the Staff about what impact the tracking
16 mechanism established in our last two cases for the
17 Emergency Cold Weather Rule for tracking bad debt costs
18 associated with that rule and how it interplays with funding
19 for customers that are within that tracking mechanism for
20 purposes of flowing through financial benefits to customers,
21 Mr. Rackers or somebody else would be more appropriate to
22 talk to?

23 A. As it relates to that, yes.

24 Q. Okay. And --

25 A. Not me.

00676

1 Q. And for purposes of your testimony, you didn't
2 really review that aspect of it or look at it. Would that
3 be accurate?

4 A. Yes.

5 Q. Okay.

6 MS. SHEMWELL: Judge, I'm sorry. I need to
7 get something to drink. If Mr. Pendergast is almost done --
8 but I've been sitting here.

9 MR. PENDERGAST: Take a break.

10 JUDGE RUTH: Let's go ahead and take a
11 10-minute break, a little more than 10 minutes, come back at
12 five till. Go off the record.

13 (A RECESS WAS TAKEN.)

14 BY MR. PENDERGAST:

15 Q. Mr. Imhoff, in your testimony several places,
16 I believe, you make an observation that under the
17 Catch-Up/Keep-Up program no additional business risk is
18 imposed on Laclede; is that correct?

19 A. Yes.

20 Q. Okay. Can you tell me what additional
21 business risk was imposed on MGE as result of the low-income
22 program that was supported by Staff and is still supported
23 by Staff and approved by the Commission in that case?

24 A. Once again, I'm going to have to refer you to
25 Staff Witness Henry Warren, because he was the one who

00677

1 worked on that particular program --

2 Q. Okay. But --

3 A. -- for the Staff.

4 Q. So you would have no personal knowledge
5 yourself of whether any additional business risk was imposed
6 on MGE as a result of the low-income program approved in
7 that case?

8 A. All I know is that MGE is collecting an
9 8 cents per month per customer charge and those funds, in
10 turn, are credited back to the -- the particular
11 participants who qualify for the program. So I'm not sure
12 whether or not they have any additional business risk or
13 not.

14 Q. And just hypothetically, since you don't know,
15 but if it should turn out it didn't impose any additional
16 business risk on MGE, would that be a reason why you would
17 recommend Staff no longer supporting that program?

18 A. If there was no additional business risk?

19 Q. Imposed on MGE as a result of the low-income
20 program, would that be a reason why you would now recommend
21 Staff not supporting that program anymore?

22 A. That would be one item that would have to be

23 looked into. So, again, I'd have to refer you to Henry
24 Warren since he was the one who put it in there. I do know
25 that there was no analysis that had been provided to us from
00678

1 Laclede that would detail the additional -- or any business
2 risk, so --

3 Q. Okay. But from your personal knowledge, you
4 don't know whether the imposition of an additional business
5 risk as a result of the low-income program is a
6 distinguishing factor between the MGE program and the
7 Catch-Up/Keep-Up program; is that correct?

8 A. Yes.

9 Q. Okay. And you also mention that there would
10 be no additional effort by Laclede to provide service to its
11 customers; is that correct?

12 A. Yes.

13 Q. Okay. Without getting into whether or not
14 there really will be additional efforts by Laclede to
15 provide service to its customers, can you tell me what
16 additional efforts MGE has undertaken as part of its
17 low-income program to provide additional services to its
18 customers?

19 A. As it relates to the MGE program, once again I
20 will refer you to Staff Witness Henry Warren.

21 Q. Okay. So, once again, you would have no
22 personal knowledge of whether having to provide additional
23 services to its customers is a distinguishing characteristic
24 between the MGE program and the Catch-Up/Keep-Up program?

25 A. Yes.

00679

1 Q. You also discuss in your program the magnitude
2 of the Catch-Up/Keep-Up program compared to the MGE program;
3 is that correct?

4 MS. SHEMWELL: Do you have a page reference?

5 THE WITNESS: Yeah.

6 BY MR. PENDERGAST:

7 Q. Well, you mentioned the \$6 million cap; is
8 that correct? And it's on page 8. I apologize. Page 8,
9 lines 9 and 10. The expected funding is designed to raise
10 \$6 million. Do you see that, page 8, line 9 and 10?

11 A. Yes.

12 Q. And you go on to say, This level is
13 significantly higher than any other low-income program in
14 Missouri. Do you see that?

15 A. Yes.

16 Q. Okay. Can you tell me, did Staff propose in
17 the AmerenUE case a ratepayer funded low-income program with
18 an initial funding level of \$5 million? And perhaps I could
19 refer you to Mr. Cline's schedule once again. This time it
20 would be Schedule MTC-4.

21 A. MTC-4.

22 Q. And, in particular, page 7 of 9, which is --

23 A. Ryan Kind's testimony?

24 Q. No. This one is Mr. Henderson's testimony.

25 A. This is MTC-4 and this is Direct Testimony of

00680

1 Ryan Kind. Oh, okay. I'm sorry.

2 Q. I'm sorry. We mixed Mr. Kind and
3 Mr. Henderson together. I apologize. They're both in
4 Schedule 4.

5 A. Okay. You said what? Page 9 of 9?
 6 Q. 7 of 9. And you might want to start looking
 7 at -- beginning at line 12.
 8 A. Okay. I'm there.
 9 Q. Okay. And does that discuss a low-income
 10 assistance program that was proposed in the Rebuttal
 11 Testimony of Richard Mark and Mr. Baxter of AmerenUE? I'm
 12 looking at lines 15 through 18.
 13 A. Yes.
 14 Q. And does Staff say that it's making certain
 15 modifications to that, beginning on line 19?
 16 A. Yes, it does.
 17 Q. And that they would propose an initial funding
 18 of 5 million would be independent of AmerenUE's ARP
 19 proposal?
 20 A. That's what it states.
 21 Q. And then after that, 1 million annually would
 22 be added to the program; is that correct?
 23 A. Yes. That's what it states.
 24 Q. And then if you turn to page 7 of
 25 Mr. Henderson's testimony and you look at line 9, does it
 00681
 1 say there -- did the Staff suggest a low-income assistance
 2 program in its discussions with the company regarding the
 3 third EARP? Do you see that?
 4 A. Yes.
 5 Q. And does it go on to answer -- Mr. Henderson
 6 go on to answer, Yes, Staff believes this concept originated
 7 with Staff?
 8 A. That's what it states.
 9 Q. And if we go back up that page, does it talk
 10 about amortizing the costs of the program -- this is line 6
 11 and 7 -- over a three-year period?
 12 A. That's what it states, yes.
 13 Q. And recording it as a regulatory expense?
 14 A. That's what it states.
 15 Q. Do you have any personal knowledge,
 16 Mr. Imhoff, of what analysis or studies or cost benefit
 17 assessments Staff did when it came up with and originated
 18 the idea of establishing that kind of low-income program?
 19 A. No. I was not part of the case.
 20 Q. Well --
 21 A. I wasn't involved with -- in the case itself,
 22 so --
 23 Q. Well, in preparing your testimony and
 24 particularly that part that references your concerns about
 25 the lack of quantified benefits by Laclede, once again, did
 00682
 1 you go back and ask other Staff people what kind of
 2 quantifications they had done when they had proposed
 3 low-income programs?
 4 A. No.
 5 Q. Okay. Beginning at page 4, you express
 6 concern that Laclede's program won't help customers to pay
 7 regularly and stay on service; is that correct?
 8 A. Which lines? I'm sorry. Starting with
 9 line 11?
 10 Q. Yeah.
 11 A. Okay. Yes.
 12 Q. And it says the program -- or your testimony

13 states, The program assumes low-income customers have
14 changed circumstances that will now allow them the ability
15 to pay for their current gas consumption when their past
16 situation would not allow them to do so. Staff does not
17 agree with this premise and can find no evidence to support
18 its validity.

19 First of all, when you say no evidence to
20 support its validity, is that going to the changed
21 circumstances part of your earlier sentence?

22 A. Yes.

23 Q. Okay. And from the standpoint of changed
24 circumstances, was there a changed circumstance several
25 years ago when both colder than normal weather and higher

00683

1 wholesale gas prices imposed historically high bills on
2 customers?

3 A. Yes.

4 Q. Okay. And, in fact, Mr. Henderson in his
5 testimony references that as one of the motivating factors
6 behind the Staff proposing that \$5 million program in the
7 AmerenUE case, does he not?

8 A. Is it in the exhibit?

9 Q. Yes, it is.

10 A. Would you mind telling me what page?

11 Q. I sure will as soon as I find it. Line 16.

12 A. Line 16, what page number?

13 Q. Oh, I'm sorry. Page 7 at the bottom or page 8
14 of 9 at the top.

15 A. Okay. That's what the testimony states.

16 Q. Thank you.

17 Back to your testimony, going up to lines 8
18 and 9 on page 4 now. You say that Laclede hypothesizes that
19 low-income customers will be able to pay regularly and stay
20 on the service if the customers are put on a level pay plan
21 and any arrearages they owe are forgiven over time.

22 Do you see that?

23 A. Yes.

24 Q. And that's when you go on to say you have
25 concerns with that theory; is that correct?

00684

1 A. Yes.

2 Q. Okay. You also reference in your testimony
3 the MGE low-income program, as we've discussed, provides a
4 20 or 40 dollar credit to the customer's current charges; is
5 that correct?

6 A. Where at in my testimony do I say the 20, 40
7 dollar credit.

8 Q. I don't believe you to say the 20 to 40 dollar
9 credit. I think you just reference the MGE program. And I
10 think, for example, you reference it at lines 13 to 16 of
11 page 5.

12 A. Lines 13 through 15?

13 Q. Yes.

14 A. I talk about approaches to low-income
15 assistance that could benefit such customers.

16 MS. SHEMWELL: I'm sorry. What page are you
17 on?

18 BY MR. PENDERGAST:

19 Q. Page 5.

20 A. Page 5, lines 11 and 12. And then my response

21 was, Yes, weatherization, which will be addressed by Staff
22 Witness Henry E. Warren, has been shown to lower energy use.
23 And I also identify that MGE is currently
24 having an experimental program with a low-income rate that
25 is specifically designed to assist customers with such

00685

1 limited resources.

2 Q. Well, let me ask you this, Mr. Imhoff. Is it
3 your testimony that the MGE program will be more effective
4 in helping customers to pay regularly and manage their bills
5 than the Laclede Catch-Up/Keep-Up program?

6 A. It is currently an experiment and we are
7 hoping that it will be beneficial to the low-income. It
8 does have a weatherization aspect to it and it is limited in
9 its size and it's good for two years. So, you know, I --
10 we'd like to have something that is limited in scope, so we
11 like the MGE one because of its limited scope.

12 Q. Well, and I appreciate the limited scope
13 comment, but I guess my question is, I think you just
14 indicated that it was an experiment and I think you indicate
15 here that it's currently evaluating the program.

16 Do you have any knowledge yourself of any
17 results from that program that would show how effective it's
18 been in helping customers to go ahead and pay regularly?

19 A. The program is still in effect, so we -- we
20 don't have any data --

21 Q. Okay.

22 A. -- at this point in time.

23 Q. So you have a hope, but you don't have any
24 data or any information that you're aware of at least that
25 would allow you to state whether or not one program will, in

00686

1 fact, be more effective than the other in getting customers
2 to pay regularly?

3 A. I am not aware of any.

4 Q. Okay. And would you agree with me that
5 generally for our low-income customers that are having
6 trouble paying their bills, many of those customers are put
7 on a levelized pay arrangement and, as we discussed earlier,
8 under both the MGE proposal and under the Catch-Up/Keep-Up
9 proposal, customers would be put on that levelized basis; is
10 that correct?

11 A. Yes.

12 Q. And, generally, when customers are put on a
13 levelized bill, what you do is you take their arrearages,
14 you take what their projected charges will be over a
15 levelized period, 12 months, roll them altogether and have
16 the customer pay one-twelfth of that; is that correct?

17 A. Some programs are like that. Others have a
18 rolling average, so it's, you know -- but, yes.

19 Q. Okay. But, generally speaking, the idea is
20 to --

21 A. Generally speaking, yes.

22 Q. -- mesh them altogether, arrearages, current
23 bills which also are projected and then come up with a
24 levelized payment amount over a period of time?

25 A. Yes.

00687

1 Q. Okay. And from an affordability standpoint,
2 if you have a \$40 credit or payment to the arrearage portion

3 of that overall payment or you have a \$40 credit to the
4 current charge part of that payment, from a customer's
5 perspective is it just \$40 less?

6 A. From a customer's perspective, he -- he gets
7 to keep \$40 that he would normally have to pay.

8 Q. Okay. And that's what's important to the
9 customer, isn't it? I mean, it's how much he has to pay,
10 regardless of whether that payment's been reduced because
11 somebody has said, I'm taking it off the arrearage component
12 of your levelized payment amount or I'm taking it off the
13 base rate or current charge component. That's kind of
14 irrelevant to the customer, isn't it?

15 A. If the customer can get a discount, sure.

16 Q. Either way?

17 A. Right.

18 Q. The issue is, is it affordable or not. Is
19 that a yes? I saw you nodding.

20 A. Oh, yes.

21 Q. Thanks.

22 At page 8 of your testimony you say that the
23 cost to customers would average approximately \$1 per month.
24 Do you see that on lines 11 to 12?

25 A. Yes.

00688

1 Q. Okay. And without getting into what a cost is
2 and what a rate increase is and I realize you're using
3 approximate figures here, but when you say \$1 per month,
4 Laclede has about 630,000 customers, does it not?

5 A. Total number of customers, I'd say, yes,
6 that's probably in the ballpark, yeah.

7 Q. Okay. And I realize that, you know, a small
8 number of those firm transportation customers wouldn't be
9 included, it would just be firm sales customers, but Laclede
10 has -- would you agree with me -- probably well over 610,000
11 residential, commercial and general service customers, firm
12 sales customers?

13 A. I don't know, but I would guess so.

14 Q. Okay. Well, all I'm getting at is that if you
15 took 710,000 or 720,000 times a dollar times 12, that would
16 be significantly greater than the 6 million here, wouldn't
17 it?

18 A. Let's see. I guess that would equate out to
19 roughly 7.2 million.

20 Q. Okay. I'm just saying -- when we say
21 approximately --

22 A. I just said approximately instead of trying to
23 get it to the exact cents.

24 Q. I understand. It's just --

25 A. It's just easier to read, but --

00689

1 Q. Okay.

2 A. -- I could change it to the correct cents if
3 you'd like.

4 Q. That's fine. But it's less than that?

5 A. Sure.

6 Q. Okay.

7 A. Sure.

8 Q. Okay.

9 A. It is less than that. I just put
10 approximately just for simplistic purposes. I also stated

11 that MGE was approximately a dollar yearly. It's not really
12 a dollar, but it's approximately. It's somewhat less than a
13 dollar a year.

14 Q. Absolutely. And I'm not suggesting that you
15 were doing anything but just giving approximate numbers, but
16 just for the record -- Laclede witnesses have testified it's
17 something less than that. I just wanted to make sure there
18 wasn't a dispute.

19 You also mention about it's not provided at
20 any cost to the program. And is one of the costs of the
21 program actually providing the funding for the low-income
22 customers who would be eligible to participate in the
23 program?

24 A. I'm sure that there would be some cost --

25 Q. Okay. And --
00690

1 A. -- to set something up, so --

2 MS. SHEMWELL: I'm sorry to interrupt. Could
3 you repeat that? I zoned out a minute there. Could you --
4 BY MR. PENDERGAST:

5 Q. Yeah. When you say costs to the program, are
6 you including in the definition of costs the actual payments
7 of arrearages under the program?

8 A. No.

9 Q. Okay. So you're just talking about
10 administrative costs?

11 A. Yes.

12 Q. Okay. That's fine.

13 A. That's what I thought your question was. Did
14 I misinterpret your question? I apologize. If you meant it
15 to relate to the arrearages -- I'm not sure what your
16 question --

17 Q. No. I'm just trying to see what you were
18 relating this to.

19 A. Okay. I think we're --

20 Q. And Laclede has provided significant
21 information, has it not, on the level of arrearages that
22 it's facing from its customers?

23 A. I believe that they have provided a total
24 dollar amount. I believe that I would refer that particular
25 question to Staff Witnesses Rackers or Cassidy, because
00691

1 they've actually had more dealings with the actual total
2 dollars that they have.

3 Q. Okay. When you talk about quantified benefits
4 of the program, is one of the benefits of the program the
5 fact that customers who would not otherwise be able to
6 receive service are now receiving the service? Would you
7 view that as a benefit?

8 A. That would be a benefit for those particular
9 customers.

10 Q. Okay.

11 MR. PENDERGAST: Could I have just one moment?

12 JUDGE RUTH: Yes.

13 BY MR. PENDERGAST:

14 Q. And is it your understanding that the program
15 funding would be used to pay for arrearages for low-income
16 customers?

17 A. It is my understanding the way the program is
18 set up that if an eligible customer makes three monthly

19 payments, they are entitled to receive up to one-fourth or
20 \$375, whichever is less at the end of a quarter --
21 Q. Okay.
22 A. -- period. That's my understanding.
23 Q. Great. And just using your figure of \$1 per
24 month -- and I know we talked about it being a little bit
25 lower than that or somewhat lower than that -- can you tell
00692 1 me what that is as a percentage of a customer's bill --
2 typical --
3 A. No.
4 Q. -- customer's bill?
5 A. No.
6 Q. Okay. Do you get involved in rate design
7 matters, by any chance, Mr. Imhoff?
8 A. Very, very limited.
9 Q. Very limited?
10 A. Yes.
11 Q. Do you have any experience with customer
12 impact analyses that Staff does and evaluating rate design
13 changes and how big of an impact it is before Staff starts
14 to have some concerns?
15 A. I have filed testimony as it relates to rate
16 design in the AmerenUE rate case, but as far -- there really
17 wasn't any major impacts on the customers itself, so I
18 didn't have that particular problem.
19 Q. Okay.
20 A. So, you know, as it relates to other cases
21 that have been filed, I have not had any participation as it
22 relates to that, no.
23 MR. PENDERGAST: Okay. Thank you very much.
24 I'm through.
25 JUDGE RUTH: We'll move on to questions from
00693 1 the Bench. Commissioner Murray.
2 COMMISSIONER MURRAY: Thank you.
3 QUESTIONS BY COMMISSIONER MURRAY:
4 Q. Good afternoon, Mr. Imhoff.
5 A. Good afternoon, Commissioner Murray.
6 Q. On page 5 of your testimony you indicate that
7 the Staff doesn't consider this an experimental program
8 because it is not limited in nature and doesn't have any
9 sunset clause. Now, with the adjustments that have been
10 made, does it not?
11 A. Yes, it does.
12 Q. Now does Staff consider it an experimental
13 program?
14 A. No. We still have a problem with the funding
15 aspect of the program itself and that's -- that is the
16 major --
17 Q. Well, is that a problem that's different from
18 the classification of experimental or does that funding
19 mechanism in itself make it not experimental?
20 A. I think the funding mechanism makes it a
21 problem.
22 Q. Okay. I understand you think it makes it a
23 problem, but does it make it not an experimental program?
24 Can it still be experimental and still be a problem?
25 A. Yes.
00694

1 Q. And --
2 A. It can be.
3 Q. But you still don't consider this as proposed
4 experimental. And the reason I ask, it sounded like from
5 your testimony that it was because it was not limited in
6 nature and didn't have a sunset clause --
7 A. Yes.
8 Q. -- that the Staff said it was not an
9 experimental program?
10 A. Right.
11 Q. And I'm wondering now that it has those two
12 things, why wouldn't it be considered experimental?
13 A. Okay. I don't believe it's limited in nature,
14 because it still is -- it's still eligible for all other
15 customers, whereas, other customers that we've had in the
16 past have been limited to a certain number.
17 Q. Okay. So you're speaking of specifically a
18 limitation to a certain group of customers or a certain
19 number of customers?
20 A. Just the limited -- limited number. But as it
21 relates to what would be a proper size for an experimental,
22 I'd probably have to defer that to Staff Witness Henry
23 Warren.
24 Q. So it does not have both of those elements at
25 this point? It still does not have the element of
00695
1 limitation in nature. Right?
2 A. Right.
3 Q. Okay. On page 6 you talk about the program
4 may result in some low-income customers having additional
5 rather than less arrearage. And I wanted to ask you about
6 that.
7 And are you talking there about low-income
8 customers ending up with more arrearages because they would
9 be reconnected and continue to receive service and be billed
10 for continuing service, and is that how they would possibly
11 end up with more arrearages?
12 A. If they get on -- when they get back on the
13 system, they wouldn't have to pay anything to get back on
14 the system except for -- well, scratch that.
15 They would have to make payments. Well, if
16 their bill would be -- let's say it averages out to be \$60
17 and it winds up being -- but they can only afford \$40 per
18 month, you would still be building up the arrearages because
19 they couldn't make -- make the total payment, but it could
20 be due to extenuating circumstances and they could stay on.
21 Q. Now, you're comparing there the customers
22 under this program and the customers without the program.
23 So contrast that to a customer without the program and show
24 me how the one that you just talked about would have more
25 arrearages than that same customer if the program is not
00696
1 implemented.
2 A. Well, okay. If the program's not there, then
3 that particular customer would have to contact Laclede and
4 be reconnected and they'd have to work out some kind of a
5 payment agreement with the company itself. And --
6 Q. Is that likely to be more or less than the
7 payment for current service?
8 A. On a monthly basis or just to get connected

9 up --
10 Q. I'm talking about --
11 A. -- I'm not sure.
12 Q. -- on a monthly basis.
13 A. Okay.
14 Q. Because I think you have to -- wouldn't that
15 customer have to amortize those arrearages over a certain
16 period of time and pay those --
17 A. Yes.
18 Q. -- in addition to the current service?
19 A. Yes.
20 Q. So that customer would have to pay more than
21 the customer that we just talked about on a monthly basis;
22 is that right?
23 A. Most likely, yes.
24 Q. Okay. And the customer that you said could
25 end up with more arrearages under this program, you said
00697
1 they could end up with more arrearages because they couldn't
2 afford the current monthly payment for the current service;
3 is that right?
4 A. Yes.
5 Q. Well, without the program, how can that
6 customer afford the current charges?
7 A. Well, this is assuming that they can get
8 service in the first place. So if -- if they can get the
9 service, then they would have a higher monthly payment
10 outside of the program as it is designed.
11 Q. And they might end up with more arrearages
12 than outside the program. Is that logical?
13 A. Yes, it is log-- yes.
14 Q. And the only way that they would not fall into
15 that category would be if they could not get reconnected; is
16 that right?
17 A. Yes.
18 Q. Okay. So Staff's position is that it may be
19 harmful to the consumers who are currently disconnected
20 because either with the program that Laclede has proposed,
21 they would get reconnected -- well, I don't see how -- how
22 could Staff say that it would be harmful to anyone under
23 this program who got reconnected? Can you say that?
24 A. If they get reconnected, they're still going
25 to have to pay for the additional cost in gas due -- due to
00698
1 the increase of the \$6 million out of their gas costs that
2 they would normally not have to pay.
3 Q. And that would amount to approximately what
4 per customer?
5 A. Approximately \$1 per month.
6 Q. And so --
7 A. That's the average calculation, but -- but
8 since that would be based off of -- since it's in the PGA
9 rate itself, depending on what that particular low-income
10 customer's usage would be, it could be more than \$1 a month.
11 Some could be less, some could be more.
12 Q. So even if it were twice that, we're talking
13 about \$2 a month. Are those the arrearages that you're
14 talking about that could harm that customer by being more
15 than without the program?
16 A. Well, under the program itself, if they can't

17 pay their current amount that's owed to them, but they do
18 have extenuating circumstances to where they couldn't make
19 that payment to keep it current, then there would be
20 additional arrearages accruing on that.

21 Q. Okay. Now, without the program if they can't
22 make their payments, what happens?

23 A. If it's not pursuant to the Cold Weather Rule,
24 if they -- they would most likely be disconnected for not
25 making their payments and -- and Laclede has exhausted all
00699 1 avenues to try to recover the payments.

2 Q. And is it Staff's position that that customer
3 would be better off to be disconnected rather than to be
4 allowed to accrue more arrearages?

5 A. No. No. We don't want -- we wouldn't want to
6 see anybody freeze or anything like that, so, no, we
7 don't -- we don't want anybody to be harmed.

8 Q. Now, the Cold Weather Rule would still apply
9 even if this program were approved; is that right?

10 A. As far as I know, yes.

11 Q. So that anyone that could be cut off today --
12 or could not be cut off today would still be unable to be
13 cut off under Laclede's proposal. Is that your
14 understanding?

15 A. Yes.

16 Q. So the only thing that could happen in terms
17 of customers who -- difference in numbers of customers who
18 got disconnected would be that maybe fewer would get
19 disconnected because of the extenuating circumstances clause
20 in the tariff; is that right?

21 A. Yes.

22 Q. Now, as to the other ratepayers that you say
23 would be harmed by the increased rates, and you quantified
24 that in the amount of approximately \$1 per month per
25 customer; is that right? Understanding that that can vary
00700

1 somewhat from customer to customer, but is that the
2 approximate number?

3 A. Let's see. I've got to get back to that page.
4 I'm sorry.

5 Q. No problem.

6 A. Okay. That would -- that would be correct,
7 yes.

8 Q. And would it be possible to design some
9 measurable goals for this particular program and have the
10 goals that -- or the reporting elements that Office of
11 Public Counsel suggested that Laclede put in its substitute
12 proposed tariff, do they establish measurable goals for the
13 program?

14 A. I believe that as it relates to trying to
15 establish some kind of goals, I would defer that to Staff
16 Witness Henry Warren, because Henry's had a lot more
17 experience working with that type of -- setting up that type
18 of a program.

19 Q. All right. Now, as I understand it, the
20 program, as currently proposed, does contain a termination
21 date. Does it also contain a true-up mechanism? Your
22 testimony on page 8 complained that the program had no
23 true-up mechanism.

24 A. That is correct. The -- my testimony did

25 state that.

00701

1 Q. And do you know if it currently -- with the
2 changes that have been made, is there a true-up mechanism
3 included?

4 A. Okay. On their proposed tariff it says, If
5 and at such time as this program terminates, any program
6 funds that remain unused and uncommitted at the end of the
7 12-month period following termination shall be credited to
8 the company's deferred purchased gas cost account and flowed
9 through to all sales firms customers under the company's
10 purchased gas adjustment clause.

11 Q. Is that a true-up mechanism?

12 A. Well, it's a mechanism that would allow them
13 to flow any excess funds back to the firm sales customers.
14 True-up mechanism, the way I look at it, is when you're
15 truing up and making the comparison of the costs to the
16 revenues or the benefits and you make that comparison. But
17 as it states in their tariff, when the program ends, any
18 excess funds do flow back to the PGA.

19 Q. Okay. You also say on page 8 that the refund
20 of these excess funds will require a future proceeding to
21 implement the return of these monies to consumers. Now, is
22 that a separate proceeding or just a part of the PGA/ACA
23 process?

24 A. At the time that this was done -- or written,
25 I was looking at that to be a separate proceeding.

00702

1 Q. And do you still think it would be a separate
2 proceeding or do you think it would be in an ACA proceeding?

3 A. I'm not sure. By reading their tariff, you
4 could assume that that would fall under a -- an ACA case.

5 Q. Is there a bottom line that Staff would agree
6 to to accept this program, or is the inclusion of the
7 funding mechanism through the PGA/ACA process a drop dead
8 issue or if that's not a drop dead issue, is some other
9 issue a drop dead issue?

10 A. Primarily it is the program funding and
11 that's -- that's where we have our difference.

12 Q. Okay. Now, if Laclede were currently
13 operating under the gas supply incentive rate design or any
14 gas supply incentive rate design, the company itself would
15 be entitled to the benefit of a portion of the reductions
16 that it could achieve; is that right?

17 A. That's to my understanding, yes. But I will
18 say that probably Staff Witness Sommerer could -- David
19 Sommerer could better explain how the GSIP itself works and
20 operates, but I'll --

21 Q. Okay.

22 A. -- I'll do my best.

23 Q. I'm not going to dwell too much on that. I
24 would like to know if you know if Laclede would be under any
25 enforceable obligation to pay less than the FERC maximum

00703

1 approved rates?

2 A. I don't think that -- I really don't know. I
3 wouldn't think they would be forced to.

4 Q. And your objection to the PGA process, as I
5 understand it, is that that is supposed to flow through only
6 prudently incurred gas costs; is that right?

7 A. Yes.
8 Q. And I'm wondering if there is a way to look at
9 it that could consider this as gas costs. And let me just
10 tell you what I'm talking about here. Because the tariff
11 flows through the cost of gas -- the actual cost of gas, but
12 it could technically flow through the maximum approved rates
13 for transportation and storage?
14 A. If that is what they paid for or that was
15 their actual cost.
16 Q. And that's where I see you're saying it has to
17 be actually incurred costs --
18 A. Prudent. I'm sorry.
19 Q. -- but if the maximum approved rates were
20 considered prudent gas costs -- and I'm just saying if they
21 were, just take that as a hypothetical -- and Laclede could
22 flow through up to that amount to all customers, the fact
23 that some of that amount that is flowed through is being
24 used to reduce the bad debt expenses of the low-income
25 customers -- I'm just trying to figure out if there is a way
00704
1 to argue that it is not -- I mean, that it is still a gas
2 cost.
3 A. Oh, I -- the Staff views bad debt costs as
4 part of the margin and that's where it's been. I know that
5 there's been some discussions as far as what the legal side
6 of gas cost is, but I'm not qualified to state just exactly.
7 Q. Okay. And then you say on page 13 that a
8 reallocation of costs would have to be made to correct the
9 inequity that would be created by this program. And do you
10 have a specific manner in which those costs would be
11 reallocated?
12 A. It's basically just utilizing how the Staff
13 does their cost of service allocation. As far as the
14 details of -- that goes into that, I can't really give you
15 the details. All I know is that when the Staff calculates
16 out and when they make their assignments to the various
17 classes of customers, bad debts goes to all of the customer
18 classes.
19 Q. So you're not ready or able to do that at this
20 point?
21 A. Yes.
22 Q. Can you tell me, on page 15 at line 19 you
23 say, There are proven methods of assisting low-income
24 customers, but Laclede has not made such a proposal.
25 What are the proven methods specifically that
00705
1 you agree with?
2 A. I guess it's -- the proven methods would be
3 something that would -- that benefits all customers of the
4 program as well as the shareholders. And --
5 Q. I'm not looking for generalities. I'm looking
6 for -- you said there are proven methods, so I'm assuming --
7 A. Weatherization.
8 Q. -- there are specific ones.
9 A. Weatherization, a low-income rate, things like
10 that.
11 Q. And with those programs do the other customers
12 pay for those programs?
13 A. When they're done in the context of a rate
14 case, yes.

15 Q. And the costs are spread into the --
 16 A. General body of ratepayers.
 17 Q. All right. And one last question. On page 16
 18 you said that the Commission could order a technical
 19 conference in which interested parties could work to develop
 20 a program that is designed to assist low-income customers.
 21 Now, are you suggesting that that could be
 22 done this winter for Laclede's customers, or are you
 23 suggesting that maybe some day in the future we might look
 24 at a program that could assist those customers?
 25 A. Oh, any time that we could get together, you
 00706
 1 know. I didn't have any specific time frame in mind. You
 2 know, I just looked at it from the standpoint of if the --
 3 if you would like for us to get together and try to --
 4 Q. Okay. Let me stop you there and just ask, if
 5 we don't approve this and say go forth with the technical
 6 conference, realistically do you think that could be done in
 7 time to help any customers this winter?
 8 A. Probably not.
 9 COMMISSIONER MURRAY: All right. Thanks. I
 10 think that's all I have.
 11 JUDGE RUTH: Okay. Since it's about four
 12 minutes until 5:00, that is where we will break for today.
 13 We will start back up tomorrow here where we left off. When
 14 we finish Mr. Imhoff -- eventually I'll get that right --
 15 THE WITNESS: Thank you.
 16 JUDGE RUTH: -- then we will go back and
 17 finish up Mr. Wyse.
 18 Are there any housekeeping matter?
 19 Oh, I'm sorry. We'll start at one o'clock.
 20 I've done a little checking. We're going to make it
 21 one o'clock. Any other housekeeping matters? Questions or
 22 comments?
 23 Seeing none, we're off the record. Thank you.
 24 WHEREUPON, the hearing was adjourned until
 25 1:00 p.m., December 5, 2002.

00707

I N D E X

OPC'S EVIDENCE

BARBARA MEISENHEIMER	
Cross-Examination by Ms. Shemwell	539
Questions by Commissioner Lumpe	557
Questions by Commissioner Murray	569
Further Questions by Commissioner Lumpe	582
Questions by Commissioner Gaw	583
Recross-Examination by Mr. Pendergast	596

DNR'S EVIDENCE

RONALD WYSE	
Direct Examination by Mr. Molteni	627
Cross-Examination by Mr. Zucker	636

STAFF'S EVIDENCE

THOMAS M. IMHOFF	
Direct Examination by Ms. Shemwell	640
Cross-Examination by Mr. Pendergast	645

14 Questions by Commissioner Murray 693
15
16
17
18
19
20
21
22
23
24
25
00708

1	EXHIBITS INDEX		
		Marked	Rec'd
2	Exhibit No. 5		
	Direct Testimony of Ronald Wyse		628
3			
	Exhibit No. 16		
4	Final Report of Missouri Public Service		
	Commission's Natural Gas Commodity Price		
5	Task Force	534	556
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			