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STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION  
  
TRANSCRIPT OF PROCEEDINGS  
  
Hearing  
  
December 3, 2002  
Jefferson City, Missouri  
Volume 4

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

VICKY RUTH, Presiding,  
SENIOR REGULATORY LAW JUDGE.  
  
SHEILA LUMPE,  
CONNIE MURRAY,  
STEVE GAW,  
BRYAN FORBIS,  
COMMISSIONERS.

REPORTED BY:  
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1 P R O C E E D I N G S

2 JUDGE RUTH: Let's go ahead and go on the  
3 record, please.

4 Good morning. My name is Vicky Ruth, and  
5 we're here for a continuation of the hearing GT-2003-0117.  
6 It is Tuesday, December 3rd, and it's 8:35.

7 When we finished yesterday, we were getting  
8 ready for some more questions from the Bench for witness  
9 Fallert. Is Mr. Fallert here?

10 Would you please come back up? And I'll  
11 remind you that you still are under oath. So you may be  
12 seated, and I believe we'll have some questions from  
13 Commissioner Lumpe first.  
14 JAMES FALLERT, being previously sworn, testified as follows:  
15 QUESTIONS BY COMMISSIONER LUMPE:

16 Q. Good morning, Mr. Fallert.

17 A. Good morning.

18 Q. There was some discussion of process  
19 yesterday, I believe, and just to clarify for me, the  
20 \$6 million that is the cap would go into a fund, I'm  
21 assuming.

22 Can you describe what the nature of that fund  
23 would be?

24 A. My understanding is that it would be a  
25 separate escrow account.

1 Q. An escrow account?

2 A. Yes.

3 Q. All right. And then as the individuals who  
4 were on this program would each quarter pick up \$375 -- I  
5 mean, they wouldn't pick it up.

6 Where would that \$375 per customer that  
7 fulfilled their obligation, where would that go, to what  
8 account?

9 A. That would come out of the escrow account and  
10 then go to Laclede Gas Company to credit as a credit against  
11 the customer's account. It would reduce a portion of that  
12 customer's arrearage.

13 Q. And then that's the sort of indirect win to  
14 Laclede, because then that part of that escrow fund which  
15 comes from the discount would then go to the -- to pay off  
16 the arrearage, would go to Laclede's account?

17 A. That's right. It would pay a portion of that  
18 customer's arrearage.

19 COMMISSIONER LUMPE: Okay. Thank you. I just  
20 wanted to make sure I had that process correct.

21 Thank you.

22 JUDGE RUTH: Okay. Commissioner Forbis?

23 QUESTIONS BY COMMISSIONER FORBIS:

24 Q. Good morning.

25 A. Good morning.

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1 Q. Thanks for coming back. I appreciate it.  
2 A. Sure.  
3 Q. Did you have a good evening last night?  
4 A. Pretty good.  
5 Q. In Jeff?  
6 A. Yeah. It was fine.  
7 Q. Yeah, right. Okay. Hey, I live here but, you  
8 know.  
9 Just have a couple of questions. And if  
10 you're the right guy to answer them, that's great, and if  
11 not, defer to somebody else.  
12 A. Okay.  
13 Q. Just want to kind of ramble through a couple  
14 of these. This is an interesting public policy question,  
15 should we pay for low-income folks and, if so, who should  
16 pay and that sort of thing. So I'm very intrigued by going  
17 through some of these details.  
18 But I was wondering, looking through all the  
19 different testimony from your company, I didn't see any  
20 studies that talked about this notion that, with these  
21 grants, you'll break this cycle of inability to pay and  
22 you'll generate new habits. Do you -- can you send me -- I  
23 mean, there are political scientists and behavioralists all  
24 around the country that do this sort of thing all the time.  
25 Do you have some studies from other states or

1 experts that talk about this ability to change behavior this  
2 way?

3           A.       I'm not personally aware of any studies, but  
4 I'm probably not the person who would most likely be aware  
5 of those type of things.

6           Q.       Who might know?

7           A.       I think Mr. Moten would probably be the most  
8 likely --

9           Q.       Okay.

10          A.       -- person to be able to answer that question.

11          Q.       I can always get back to that or maybe counsel  
12 can provide some information. Thank you.

13                    There was also -- just -- let's see. I'm  
14 wondering, too, in your testimony on page 7, you talk about  
15 the AAO and the fact that it won't be a good thing for the  
16 company, because the cash flow problems up front and that  
17 sort of thing. And I was wondering if you could comment,  
18 then, have you seen -- he hasn't spoken yet, but the  
19 testimony from Mr. Imhoff where he -- is it Mr. Imhoff, I  
20 think, who talks about the AAO?

21          A.       Yes, I think it is.

22          Q.       And his position, if I remember right, says  
23 that there won't be a cash flow problem -- I'm on page 14 --  
24 and it says, Laclede would not incur any additional  
25 incremental costs because these accounts would be written

1 off anyway after some 120 business days. The only  
2 additional cost Laclede would incur relates to reconnect.

3 Do you have any -- could you respond to  
4 Mr. Imhoff's statement that the AAO wouldn't be a problem  
5 for your company?

6 A. Sure. Well, Mr. Imhoff's beliefs that there  
7 wouldn't be any cash flow impact, I think, would presume  
8 that all of the arrearages that would be forgiven would have  
9 gone to bad debts.

10 Q. Okay.

11 A. And it's our belief that that's not the case,  
12 that some of the arrearages that will be forgiven are --  
13 will be forgiven for people who would have otherwise scraped  
14 together the money to pay a portion of their arrearages.  
15 People will make an effort to pay enough money to keep their  
16 gas service on, and in many cases foregoing other essential  
17 expenses to do so.

18 Q. Okay. So some of it will go to bad debt and  
19 be written off?

20 A. Right.

21 Q. But then some of it won't be written off, and  
22 there'll be enough scraped together to keep service going,  
23 but it won't represent the entire amount of the arrearage.  
24 That's what --

25 A. Right.

1 Q. Okay.

2 A. Right now we've got commit-- customers who are  
3 in a situation where they've got a big arrears, they come  
4 into the winter, they want to -- they've been discontinued,  
5 they want to get their service back on. They'll come up  
6 with some money to get turned back on. They'll get through  
7 the winter hoping we don't have a warm day where we might  
8 come out and cut them off again. And they can't really keep  
9 up with their bills because they've got too big an  
10 arrearage. In the spring they get cut off again and the  
11 whole cycle just keeps running.

12 The goal of this program is to get these  
13 customers in a situation where they can get that monkey off  
14 their back with the arrears and get their bill down, their  
15 current bill down to a level that they can -- that they can  
16 keep up with them and keep their service going through the  
17 year.

18 So that customer, we're not necessarily going  
19 to write off his entire amount of his arrears, because he's  
20 making some effort to pay enough to keep himself going. So  
21 you've got a lot of different situations like that.

22 So it's our feeling that you wouldn't  
23 necessarily say that the entire amount of money that's  
24 flowing out of this program into arrears forgiveness is  
25 necessarily going to be a direct reduction in bad debts.



1 Q. And some -- and I apologize. Is there some --  
2 is there a figure in there? Is that, like, part of  
3 two-thirds that was turned off and a third not?

4 A. Oh, yeah, we've -- we've estimated that the  
5 impact in our bad debts might be 2 to 3 million.

6 Q. That's right. The \$2 million figure. Okay.

7 A. That's -- that was really just kind of looking  
8 in the mid-range of the funding in the plan. We don't  
9 really have a detailed study to point to that, but we think  
10 something more in that line makes sense.

11 Q. Kind of a guesstimate, sort of?

12 A. Right. And the other cash flow impact on the  
13 plan is that there -- there are administrative costs,  
14 weatherization costs, customer conservation, outreach, and  
15 those are there.

16 Q. That was already there, though?

17 A. Some of those are the -- those type of costs  
18 in the plans would be a cash outflow in an AAO-type  
19 situation.

20 Q. Okay. But the AAO would only apply to this  
21 program. It wouldn't apply to weatherization and other  
22 programs that you do, right?

23 A. Well, it would apply to those that were within  
24 this program.

25 Q. Those individuals in the program regardless of

1 what service they get, including, like, weatherization, for  
2 example?

3           A.       Uh-huh. I would think the AAO would apply to  
4 all of those, but again --

5           Q.       Okay.

6           A.       The AAO from a cash flow -- cash flow  
7 viewpoint would not be a plus for us, and as I'm sure you  
8 know, we have suffered numerous downgrades in our credit  
9 ratings over the course of the past year. While the weather  
10 rate design fix that we made here in this last rate case was  
11 a big help there, the rating agencies were very -- very  
12 positive on that, as far as impact on our future cash flows  
13 by taking the weather out of the variation.

14                   We still do feel we have to remain vigilant on  
15 our cash flow because our cash flow situation is still not  
16 the greatest. And we -- we remain very concerned about  
17 trying to keep our cash flow in good shape and our credit  
18 rating in good shape.

19                   There's some other problems that I see within  
20 using an Accounting Authority Order in this instance as  
21 well; two other basic problems. One is that the --  
22 historically the implementation of Accounting Authority  
23 Orders in Missouri have been such that the company doesn't  
24 really see a dollar-for-dollar return of the amounts  
25 deferred. That's because typically the -- the returns have

1 been spread over a long period of time without any rate base  
2 treatment. So it's basically an interest-free loan from the  
3 company to its customers, and despite the fact we're not  
4 putting in rate base, other parties have advocated that  
5 there should be a deferred tax offset in the rate base.

6           You take all that together, the way these  
7 things have typically been handled, the return -- the return  
8 to the company out of an AAO is maybe 50 cents on the dollar  
9 or less. With a program this big, it's pretty hard for us  
10 to use an AAO as a funding mechanism.

11           But really the biggest problem I see with an  
12 AAO is -- is really trying to determine what would be the  
13 appropriate dollars you would even try to recover because,  
14 you know, Staff's apparent belief is that all of the dollars  
15 associated with arrearage forgiveness would go to bad debt.  
16 As I've mentioned, we don't feel that way. We feel that  
17 it's something in between. We can't agree on a number now,  
18 and we won't know that number even when the program's done.

19           I don't think you'll ever be able to determine  
20 exactly how much arrearage forgiveness reduced bad debts and  
21 how much people would have paid. You just -- you'll never  
22 know that number. And I think if you try to use an AAO in  
23 this situation, you'd end up with a situation where, when we  
24 got to the end and tried to determine what's going to flow  
25 back out through the AAO, we'd -- we wouldn't have a way to

1 really say exactly what that number should be.

2 Q. Okay. Thank you.

3 I think Mr. Micheel mentioned yesterday that  
4 there would be a question -- you mentioned the AAO. The  
5 company might have to bear some of the costs, and that is a  
6 question. Should the shareholders, for example, help  
7 support this program through maybe a lesser reimbursement or  
8 recovery, or should all the ratepayers? So there is a  
9 question there, and so the AAO then would play into that, if  
10 you want to make that sort of argument one way or another.

11 You talked about the settlement this summer.  
12 Was this discussed at all, this project discussed as part of  
13 the settlement negotiations? Do you have any knowledge of  
14 that? Was it and, if not, why not?

15 A. I was involved in the settlement negotiations  
16 in the rate case. This program, the initial version of the  
17 Catch-Up/Keep-Up program was filed back in July. We had  
18 numerous settlement discussions on the rate case through  
19 August and September in three different stipulations and  
20 agreements out of that case, and the Catch-Up/Keep-Up was  
21 discussed on many occasions as part of the settlement  
22 discussions.

23 And really it was -- was our hope and our  
24 expectation going into it that we'd be able to settle as  
25 part of the rate case, but we just couldn't reach agreement

1 through those settlement discussions, and eventually when we  
2 were able to resolve the rest of the issues in the rate  
3 case, felt that we had to go forward with getting the rate  
4 case settled and leave the Catch-Up/Keep-Up for a separate  
5 proceeding.

6 Q. So it did come up, but just couldn't get to an  
7 agreement on that, so it was decided to set it aside and  
8 deal with it separately, like we're doing here?

9 A. Right.

10 Q. Okay.

11 A. But it was originally our hope to be able  
12 to -- to get it in place with the rate case prior to the  
13 start of the heating season and have the thing up and  
14 running. We weren't able to get there.

15 Q. Okay. There was -- there's been some  
16 discussion, too, from other parties -- I don't know if you  
17 can comment on this -- that if we use the ACA/PGA process to  
18 help with the Catch-Up/Keep-Up program processing, that  
19 perhaps we're jeopardizing that arrangement that's been  
20 around for several years.

21 Do you -- do you think there's a possibility  
22 that we could at some point, then, sort of burst this bubble  
23 that we've been using for a while to pass these gas costs  
24 through?

25 A. Well, I don't really share that concern,

1 because as I see this program is the funding doesn't  
2 really -- isn't much different than past gas supply  
3 incentive plan type of programs that we've had with  
4 transportation discounts. The difference here is, rather  
5 than the money flowing to the company, it's flowing to  
6 low-income customers through the arrearage forgiveness  
7 program.

8 Q. So you don't see a risk. Okay.

9 The same kind of issue about this -- the  
10 double recovery concern here, that the rates that Laclede  
11 has include a lot of this writeoff, and then if you're able  
12 to subsequently pick it up somehow, then the company, if you  
13 will, is being paid twice.

14 Do you have any thoughts about that?

15 A. I think it's undeniable that if this program's  
16 successful, it should help reduce the company's bad debts,  
17 and in the short run that -- that should help the company.  
18 In the long run, I think it's beneficial for all of our  
19 customers. It eventually flows through to the ratemaking  
20 process and everyone benefits.

21 But, yeah, I -- this program, if it's  
22 successful, we get good participation and a lot of customers  
23 are able to keep up with their bills and we pay down their  
24 arrearages as a result, it should reduce our bad debts.

25 Q. Which have already been sort of accounted for

1 in the rate plan, so then at some point in the future you're  
2 saying that would have to be backed down and adjusted?

3 A. Right.

4 Q. So there would be a subsequent consideration  
5 of that, but upfront there might be some extra cash, if you  
6 will, coming in?

7 A. In the short run, yeah, it should help the  
8 company's bad debts, I would think. Yes.

9 COMMISSIONER FORBIS: Okay. I think that's  
10 all I have. Thank you.

11 THE WITNESS: Thank you.

12 JUDGE RUTH: Commissioner Lumpe?

13 QUESTIONS BY COMMISSIONER LUMPE:

14 Q. I'm sorry, Mr. Fallert.

15 A. That's no problem.

16 Q. That triggered some more.

17 I think you mentioned that discounts would  
18 flow to the company. They don't actually flow to the  
19 company, do they? They flow through to the ratepayers,  
20 don't they?

21 A. That's right.

22 Q. Okay. So those discounts that you get would  
23 flow through to the ratepayers.

24 Let me ask one more thing. If you don't use  
25 all of the \$6 million, would that be refunded, then, through

1 the PGA?

2 A. Yes, under the program.

3 Q. Annually in other words?

4 A. Well, as I understand it, it carries over.

5 so if there's a funding need next year, the amounts that

6 have been escrowed in the previous year could be carried

7 over and used in the next year.

8 Ultimately, all the funds in that escrow

9 account should be used either for arrears forgiveness, for

10 customers in the program or for the other, the

11 weatherization and administrative expenses in the program,

12 or to the extent they're not used for that, they should flow

13 back through to all customers through PGA.

14 Q. Okay. So either it might roll over to the

15 following year or it might be refunded back to the other

16 customers?

17 A. My understanding is the way the tariff's

18 written now, it would roll over.

19 Q. So if you only use, say, \$2 million of it,

20 \$4 million would be left in that escrow account, right?

21 A. Yes.

22 Q. And then 6 more million would come in the

23 following year. So you'd be at 10 million?

24 A. In that situation.

25 Q. So say you only use 2 million more. You could



1 be building up quite a chunk of money, couldn't you?

2           A.       I would think, in that situation, we'd have to  
3 look at the situation and do something about that.

4           Q.       Like flowing it back as a refund to the other  
5 customers?

6           A.       I don't think you'd want too much money  
7 sitting in that escrow account for a long period of time.  
8 The idea would be to use it for the program and get it back  
9 to the customer.  It's --

10          Q.       So depending upon how much is used, now if you  
11 use the whole 6 million, that's one thing.  But if you  
12 only -- as your estimate is 2 to 3 million, it would seem to  
13 make sense to me that you would refund that back, because  
14 you have another 6 million coming in the next year.

15          A.       Well, and to clarify, the 2 to 3 million, my  
16 thought with that number was that we might use the entire  
17 \$6 million for arrears forgiveness or 5.4 million, if  
18 another 10 percent's going to administrative and  
19 weatherization, what have you.

20                   But if you use the entire 5.4 million for  
21 arrears forgiveness, that the eventual impact on bad debts  
22 might 2 to 3 million, because the other portion of that --  
23 that amount would forgive arrears that the customers  
24 otherwise would have come up with money to pay.

25          Q.       I think I would probably feel more comfortable

1 if I knew it were going to flow back to the other customers  
2 on an annual basis, but thank you very much.

3 A. You're welcome.

4 JUDGE RUTH: I think that finishes the  
5 questions from the Bench. So we'll move to the recross  
6 based on the questions from the Bench, starting with Public  
7 Counsel.

8 RECROSS-EXAMINATION BY MR. MICHEEL:

9 Q. Mr. Fallert, I believe Commissioner Forbis  
10 asked you some questions about negotiations we had with  
11 respect to the Catch-Up/Keep-Up plan in the rate case.

12 Do you recall those questions?

13 A. Yes.

14 Q. Is it correct that Laclede Gas Company made a  
15 conscious decision not to file the Catch-Up/Keep-Up plan as  
16 part of its rate case?

17 A. That was a separate filing, yes.

18 Q. And the company could have made the  
19 Catch-Up/Keep-Up plan a component of its rate case, could it  
20 not have?

21 A. Well, the rate case was filed back in January.  
22 The Catch-Up/Keep-Up was filed in July, and the timing was  
23 different there.

24 Q. And Laclede Gas Company chose that timing;  
25 isn't that correct?

1           A.       Well, yes. We filed both cases, yes.

2           Q.       Commissioner Forbis also asked you some  
3 questions about double recovery, and I think you said it was  
4 undeniable that the company is going to, in your term,  
5 short-term benefit from the proposal; isn't that correct?

6           A.       If we can get good participation out of  
7 customers and -- yes, we would expect that it would reduce  
8 bad debts.

9           Q.       And we also talked yesterday, you and I, about  
10 it reducing your collection expense and reconnection  
11 expense?

12          A.       Yes.

13          Q.       And I think you agreed with me over the short  
14 term that, due to regulatory lag, your company already has  
15 an amount built in and you reap that benefit also, the  
16 company would; isn't that correct?

17          A.       We would hope to see reduction in collection  
18 and related expenses under this program.

19          Q.       So it's correct that the company would retain  
20 100 percent of those reductions in both the uncollectible  
21 expense that was built into rates and the reconnection  
22 expense that's below what's built in the rate and a  
23 collection expense below what's built into rates until the  
24 next rate proceeding; isn't that correct?

25          A.       In the short run, we're not talking about any

1 change in our base rates.

2 Q. And I think we established yesterday that it  
3 could be as late as 2005 with the moratorium before Laclede  
4 Gas Company even has an ability to change rates; isn't that  
5 correct?

6 A. Well, the moratorium applies to Laclede Gas  
7 Company. It's my understanding it does not apply to -- to  
8 any complaint case that might be filed.

9 Q. Okay. Well, the customers wouldn't see a big  
10 problem if there was a complaint case, would they, because  
11 that would be a request to lower your rates?

12 A. Well, I guess my point is that theoretically,  
13 at least, those rates could be lowered sooner than that.

14 Q. And it's your understanding of that moratorium  
15 that a complaint case could be filed within that moratorium  
16 time?

17 A. My understanding is that the moratorium  
18 applies to Laclede Gas Company's ability to file a case.

19 Q. Okay. Commissioner Lumpe asked you some  
20 questions regarding the rollover of these refunds or the  
21 rollover of the escrow accounts.

22 Do you recall those questions?

23 A. Yes.

24 Q. Isn't it correct that the proposed tariffs  
25 that the company has and indeed the tariffs that have been

1 marked with the new additions as Exhibit 13 -- they haven't  
2 been entered into evidence, but it's my understanding they  
3 were marked this morning -- do not have any sort of  
4 provision to flow back any overages, that as written these  
5 tariffs just allow this escrow account to build?

6           A.       My understanding is that the -- any amounts  
7 not used would roll over and eventually be returned to  
8 customers through the PGA to the extent to where any amounts  
9 left over when the program reached its end.

10          Q.       Could you -- do you have a copy of your filed  
11 tariff?

12          A.       You're looking at the filed tariff or the --

13          Q.       Well, do you have a copy of -- you guys have  
14 so many different tariffs, I'm not really certain which one  
15 we're on now. I mean, I can give you Exhibit 13. That's --  
16 it's my understanding that's the latest and greatest  
17 proposal by Laclede.

18                   Do you have a copy of the new item that  
19 Mr. Pendergast handed out today?

20          A.       I -- I do have one of those, yes.

21          Q.       Could you show me in that Exhibit 13 where it  
22 says that these items will be flowed back to customers?  
23 Where would that be?

24                   MR. PENDERGAST: If I could speed things along  
25 a little bit and refer Mr. Fallert to subsection G on

1 Sheet 28-k.

2 THE WITNESS: There it is. Thanks, Mike.

3 The tariff says, If at such time as this  
4 program terminates, any program funds that remain unused and  
5 uncommitted at the end of the 12-month period following  
6 termination shall be credited to the company's deferred  
7 purchase gas cost account and flowed through to all firm  
8 sales customers under the company's purchased gas adjustment  
9 clause.

10 BY MR. MICHEEL:

11 Q. And that provision only provides for when the  
12 program terminates; isn't that correct?

13 A. Yes.

14 Q. So if the program were to continue -- and how  
15 long has Laclede recommended the program continue?

16 A. Enrollment for the program shall end March 31,  
17 2006, or corresponding payments of arrearage offsets shall  
18 end on September 30, 2006.

19 Q. So that's, what is it, at least three years.  
20 So we could have up to \$18 million in that fund, assuming  
21 nobody uses it?

22 A. Well, under that assumption, that's the way it  
23 would work.

24 Q. Does Laclede Gas Company intend this program  
25 only to be a three-year program, three and done?

1           A.       I would think, if it's successful, it's  
2 something you'd want to continue beyond that point.

3           Q.       And if the program is continued beyond that  
4 point, this tariff provision wouldn't allow for any refund.  
5 It is only a refund of funds when the program is terminated;  
6 isn't that correct?

7           A.       That's correct. But if the -- if the  
8 program's successful and is continuing, I wouldn't expect  
9 there to be much money in the escrow account at that point.

10          Q.       So the flowback in the tariffs, as written,  
11 only deals with when the program is terminated; isn't that  
12 correct?

13          A.       Yes.

14                   JUDGE RUTH: Okay. I want to point out  
15 for the record that there have been some references to  
16 Exhibit 13, and I marked this Exhibit 13 for identification  
17 purposes only. It has not been offered or admitted into the  
18 record at this time, and I just wanted to clarify that.

19                   Cross-examination from Mr. Molteni?

20                   MR. MOLTENI: None, your Honor.

21                   JUDGE RUTH: Mr. Molteni, I just learned that  
22 your microphone's not working. So in the future, would you  
23 please either step up to the podium or move back to the desk  
24 behind you?

25                   MR. MOLTENI: Yes, ma'am.

1 JUDGE RUTH: Thank you. They are looking into  
2 that to see if we can have that microphone fixed.

3 Staff, cross-examination?

4 RE CROSS-EXAMINATION BY MR. MEYER:

5 Q. Good morning, Mr. Fallert.

6 A. Good morning.

7 Q. Very briefly, in response to a question from  
8 Commissioner Lumpe this morning, you stated that the funds  
9 that will be credited to the low-income customer accounts  
10 will go to the low-income customers.

11 Is it accurate that they will actually flow  
12 from the escrow account into the company's cash account when  
13 a debt is forgiven?

14 A. Yes. There would be -- there would be a flow  
15 of money from the escrow account to the company's cash  
16 account. The company would then reduce the arrearage of the  
17 customer whose payment had been -- whose name the payment  
18 had been made in.

19 Q. Okay. And I can't recall which question from  
20 the Bench yesterday. I think somebody was asking something  
21 along the lines of a breakdown of customers and amounts that  
22 customers owe. And I don't know if you have a sense of  
23 this.

24 Did you have any idea on percentages of  
25 customers who owe in the range of \$200 to \$400 versus \$400



1 to \$600? Do you have a sense of that as well?

2 A. I really don't have a stratification on those  
3 amounts, no.

4 Q. Okay. And also along the lines of how many  
5 customers owe for 30 days, 60, 90, anything like that?

6 A. We do have arrears statistics on 30, 60,  
7 90-day basis. I don't have all those numbers with me right  
8 now.

9 Q. Okay.

10 A. But they are available.

11 Q. Okay. But that's not something that you know  
12 personally yourself?

13 A. Mr. Rackers had quoted a couple numbers in his  
14 testimony for the final customers that the 90-days arrears  
15 were -- seems to me it was \$6 or \$7 million. 60-day arrears  
16 was more like 1.6 million or somewhere in that range.

17 Those are the numbers I remember off the top  
18 of my head.

19 MR. MEYER: That's fine. That's all I have.  
20 Thank you.

21 JUDGE RUTH: And redirect?

22 MR. PENDERGAST: Thank you.

23 REDIRECT EXAMINATION BY MR. PENDERGAST:

24 Q. Mr. Fallert, yesterday Mr. Micheel asked you a  
25 number of questions regarding the impact of Catch-Up/Keep-Up

1 program on the company's rates for service.

2 Do you recall those questions?

3 A. Yes.

4 Q. And he asked you whether the company's PGA

5 rates would increase for customers in the event the program

6 was approved, because pipeline discount amounts that are

7 currently flowed through to customers now would have instead

8 be used to fund the program.

9 Do you recall that?

10 A. Yes.

11 Q. And you were also asked whether that increase

12 would be approximately \$10 a year; is that correct?

13 A. Yes, I was asked that.

14 Q. And did you indicate that you thought it would

15 be something lower than that?

16 A. Yes, I did.

17 Q. And can you tell me what it would be for

18 residential customers?

19 A. For residential customers, that amount would

20 be approximately \$7.40.

21 Q. And can you tell me what percentage of a

22 typical residential customer's bill that is?

23 A. It's probably in the range of 1 percent or so.

24 Q. Okay. And if we look at a monthly bill, would

25 that be approximately 60, 62 cents a month?

1           A.       About that, yes.

2           Q.       And if the fact that the company's permitted  
3 to go ahead and use this to fund the program that provides  
4 him -- the company with an incentive to achieve greater  
5 levels of pipeline discounts than would have otherwise been  
6 the case, would it be appropriate under those circumstances  
7 to even characterize that as an increase?

8           A.       Under those circumstances, probably not.

9           Q.       You were also asked about the impact on base  
10 rates.

11                    Do you recall that?

12           A.       Yes.

13           Q.       And I think Mr. Micheel defined base rates as  
14 being the customer charge and the energy charge?

15           A.       Yes.

16           Q.       Are those the only charges that the company  
17 charges its customers?

18           A.       No.

19           Q.       What other charges are there?

20           A.       Well, the company can also collect any  
21 arrearages that the company may -- or the customer may owe  
22 from past usage.

23           Q.       And would, in fact, those charges to customers  
24 be reduced under the program?

25           A.       Yes, they would.

1           Q.       In fact, will every dime of pipeline discounts  
2 that are used to fund the program go towards paying these  
3 reductions?

4           A.       Either for that or for the weatherization  
5 conservation costs associated with the program.

6           Q.       And to the extent that it's weatherization,  
7 that will go to customers in the form of grants to do  
8 various weatherization activities on their homes?

9           A.       That's correct.

10          Q.       Or to the extent that it's for administrative  
11 purposes, that's in assistance of programs for providing  
12 services to customers?

13          A.       Yes.

14          Q.       So is it fair to say that every dime of those  
15 pipeline discounts will be going back to customers in one  
16 form or another?

17          A.       Yes, that's true.

18          Q.       And from that standpoint, is it fair, in your  
19 opinion, to go ahead and say that if you look at this on an  
20 overall customer basis, that there's no increase on an  
21 overall customer basis at all?

22          A.       That's true.

23          Q.       And to the extent that you're able to go ahead  
24 and the company's able to reduce its pipeline discounts  
25 below the level they would otherwise be because of incentive

1 or because it's willing or able to go ahead and reduce  
2 discounts because of its customers' payment behavior, would  
3 that be a net benefit?

4           A.       I think we -- to increase the pipeline  
5 discounts, that would be a net benefit, yes.

6           Q.       And how about reductions in disconnection  
7 activity costs and uncollectibles?

8           A.       Ultimately, that's a net benefit for all the  
9 customers.

10          Q.       So is it --

11          A.       It flows through the rate-paying process.

12          Q.       So is it fair to say that in both the short  
13 term and the long term, in looking at Laclede's customers as  
14 a whole, there's no increase at all?

15          A.       I think that's fair to say, yeah.

16          Q.       And is it also fair to say that perhaps in the  
17 short term and in the long term, there's the potential for a  
18 net benefit to all customers as a whole?

19          A.       Yes, I think there is a good potential for  
20 that.

21          Q.       You were also asked some questions by  
22 Mr. Micheel the other day about why the company wasn't  
23 chipping in for the program.

24                    Do you recall those?

25          A.       Yes, I do.

1           Q.       And you talked about the fact that the company  
2 did undertake a number of programs to help its low-income  
3 customers.

4                    Do you recall that?

5           A.       Yes.

6           Q.       Were those programs discussed in the direct  
7 testimony of Mr. Moten?

8           A.       Yes, they are.

9           Q.       To the extent the company incurs additional  
10 costs in connection with providing those particular services  
11 and programs in between rate cases, is it compensated for  
12 those additional costs?

13          A.       No. Those costs would be subject to the same  
14 regulatory lag as all of our costs.

15          Q.       And do those costs, in fact, increase?

16          A.       Yes.

17          Q.       You also indicated that since 1994 the company  
18 has under-recovered its bad debt expense by approximately  
19 \$7.5 million; is that correct?

20          A.       Yes.

21          Q.       In your opinion, is a significant portion of  
22 that \$7.5 million under-recovery a function of the fact that  
23 the company has continued to provide service over the years  
24 to low-income customers who can't afford to pay?

25          A.       That's one of the major drivers of our bad

1 debts, yes.

2 Q. So if someone's interested in finding out or  
3 determining what kind of financial contribution the  
4 company's made in an effort to go ahead and help its  
5 low-income customers receive service, would they look at  
6 something like that?

7 A. I think that would be reasonable, yes.

8 Q. You were also asked some questions about  
9 over-recovery or double recovery of costs, and what was the  
10 level of bad debt expense included in the company's case?

11 A. 2002 case, about 7.25 million for bad debts  
12 and an additional .75 million dedicated to the emergency  
13 cold weather rule.

14 Q. Okay. Let's look at the 7.2 million. How  
15 does that compare to what the writeoffs for the company were  
16 as of the end of September 2002?

17 A. Year-end September 30, 2002 writeoffs were  
18 \$11.3 million.

19 Q. Okay. And as far as that increment that's  
20 associated with the tracking mechanism under the cold  
21 weather rule, we've had some discussions on that.

22 To the extent bad debts were reduced, would  
23 that be reflected in that tracking mechanism?

24 A. Yes, to the extent that those bad debts would  
25 have flowed through that tracking mechanism, if they're not

1 experienced, then flowing back through the tracking  
2 mechanism.

3 Q. And, therefore, customers would be benefited  
4 as a result of that?

5 A. Yes.

6 Q. Okay. Do you recall discussing with  
7 Mr. Micheel yesterday the concept of some customers paying  
8 for the utility charges of other customers?

9 A. Yes.

10 Q. Does that happen today?

11 A. Yes, it does.

12 Q. And are those bad debts a result in part of  
13 the requirements that are placed on Laclede and other  
14 utilities to extend credit to customers who can't afford to  
15 pay their utility bills?

16 A. Yes. We experience bad debts in large part  
17 because of the credit we extend to customers who most other  
18 businesses wouldn't give credit to.

19 Q. If the company would simply deny service to  
20 those customers that are poor credit risks or not provide  
21 service until they can pay the company in full, would the  
22 company's bad debt expense be affected?

23 A. Yes. It would go down significantly.

24 Q. And would other customers then have to pay  
25 less of the utility charges incurred by those customers?



1           A.       Yes. Bad debts portion of cost of service,  
2 that would reduce the charges for all the other customers  
3 certainly.

4           Q.       Are you aware of other instances where Public  
5 Counsel or Staff have come forward in the past and out of a  
6 concern for some customers paying the charges of other  
7 customers proposed that those requirements be eased; in  
8 other words, that the company have more flexibility to  
9 discontinue service to customers or not to restore service?

10          A.       I'm not aware of any instances, no.

11          Q.       Are you aware of any instances where Staff and  
12 Public Counsel have come forward and said that the company  
13 should be required to provide more favorable credit terms to  
14 customers that have an inability to pay?

15          A.       Yes. An example would be the emergency cold  
16 weather rule last year.

17          Q.       And at that time, do you recall Staff or  
18 Public Counsel coming in and voicing concerns that would  
19 ultimately increase the company's bad debt and other  
20 customers would ultimately have to pay for that?

21          A.       No. I don't recall any such concerns being  
22 voiced.

23          Q.       Do you recall Staff and Public Counsel coming  
24 in and suggesting that, before the Commission would do that  
25 and potentially increase the cost to other customers, that

1 there should be a study determining that there would be  
2 benefits for those other customers as a result of those  
3 charges?

4 A. No, I don't.

5 Q. Do you recall whether Staff or Public Counsel  
6 came in and indicated that before the Commission took those  
7 kind of actions, measures should be in place to make sure  
8 that we could quantify and determine specifically what the  
9 impact was on other customers?

10 A. No, I don't.

11 Q. In view of this, are you a little surprised to  
12 see those kind of concerns being raised in this case?

13 A. Well, yes, a little bit.

14 Q. And do you have any opinion as to whether or  
15 not a double standard's going on here?

16 A. Well, it certainly could be interpreted that  
17 way, yes.

18 Q. To your knowledge, has Public Counsel  
19 submitted testimony in previous proceedings in which they've  
20 attempted to justify having other customers pay funds to pay  
21 for bill credits for low-income customers, based on the  
22 arguments that those low-income customers actually make a  
23 reverse contribution to other customers?

24 A. Yes, I have -- have seen such testimony.

25 Q. A reverse contribution in the form that they

1 pay a higher proportion of late payment charges and that  
2 those late payment charges aren't strictly based on cost?

3 A. Yes. That's one of the -- the arguments  
4 regarding reverse contributions, yes.

5 Q. And has Public Counsel also attempted to  
6 justify having other customers fund credits to low-income  
7 customers on the theory that while low-income customers pay  
8 average rates, the cost of the facilities to serve them are  
9 actually less expensive because they were installed much  
10 earlier than the facilities for customers in newer  
11 neighborhoods?

12 A. Yes, I have seen such arguments.

13 Q. Are you surprised that those kind of  
14 considerations haven't been mentioned by Public Counsel in  
15 this proceeding?

16 A. That would seem to apply here as well, yes.

17 Q. You were asked some questions about why the  
18 company didn't file its Catch-Up/Keep-Up program with its  
19 rate case.

20 Was the Catch-Up/Keep-Up program developed in  
21 January when the company filed its rate case?

22 A. No.

23 MR. PENDERGAST: Thank you. I have no further  
24 questions.

25 Your Honor, I would note, I believe that I

1 think it was Commissioner Lumpe had a question about the  
2 source of LIHEAP funding, and Mr. Moten is here with some  
3 information on what the source of that was, if you would  
4 care to have him provide that, or we can provide it  
5 separately, whatever your preference would be.

6 JUDGE RUTH: This is Mr. Moten?

7 MR. PENDERGAST: Yes, Mr. Moten.

8 COMMISSIONER LUMPE: If he wants to provide it  
9 separately, that's fine.

10 MR. PENDERGAST: Okay. Thank you.

11 JUDGE RUTH: Okay. Mr. Fallert, you may step  
12 down.

13 THE WITNESS: Thank you.

14 JUDGE RUTH: And Laclede, would you like to  
15 call your next witness?

16 MR. ZUCKER: Our next witness is Mr. Michael  
17 Cline.

18 (Witness sworn.)

19 JUDGE RUTH: Please be seated. You may  
20 proceed.

21 MICHAEL T. CLINE testified as follows:

22 DIRECT EXAMINATION BY MR. ZUCKER:

23 Q. Would you state your name and address for the  
24 record.

25 A. Michael T. Cline, Laclede Gas Company,

1 720 Olive Street, St. Louis, Missouri 63101.

2 Q. And what is your title with Laclede Gas  
3 Company?

4 A. Director, tariff and rate administration.

5 Q. And are you the same Michael T. Cline who  
6 filed direct testimony in this case on November 19th, 2002?

7 A. Yes, I am.

8 Q. And that testimony is marked as Exhibit 3, is  
9 it not?

10 A. Yes, it is.

11 Q. And if I asked you the same questions  
12 contained in that testimony today, would you give the same  
13 answers as are contained in that testimony?

14 A. Yes, I would.

15 Q. And are these answers true and correct to the  
16 best of your knowledge and belief?

17 A. Yes, they are.

18 MR. ZUCKER: At this time I would offer  
19 Mr. Cline's direct testimony, Exhibit 3, for admission into  
20 the record.

21 JUDGE RUTH: Exhibit 3, Mr. Cline's direct  
22 testimony, has been offered. Are there any objections to it  
23 being received into the record?

24 (No response.)

25 JUDGE RUTH: Seeing no objections, Exhibit 3

1 is received.

2 (EXHIBIT NO. 3 WAS RECEIVED INTO EVIDENCE.)

3 JUDGE RUTH: You may do your rebuttal.

4 BY MR. ZUCKER:

5 Q. Let me first start by asking Mr. Cline if he

6 has a copy of what has been marked as Exhibit 13, a form of

7 specimen tariffs?

8 A. Yes, I do.

9 Q. And did you prepare this exhibit?

10 A. Yes, I did, in response to the concerns, the

11 interest expressed yesterday to put some of these changes we

12 suggested into tariff format.

13 MR. ZUCKER: Okay. I would now offer

14 Exhibit 13 for admission.

15 JUDGE RUTH: Okay. Exhibit 13, the specimen

16 tariff sheets, has been offered. Are there any objections

17 to it being received into the record?

18 (No response.)

19 JUDGE RUTH: Seeing no objections, Exhibit 13

20 is also received.

21 (EXHIBIT NO. 13 WAS RECEIVED INTO EVIDENCE.)

22 JUDGE RUTH: Thank you.

23 BY MR. ZUCKER:

24 Q. Mr. Cline, on pages 4 and 5 of Mr. Sommerer's

25 direct testimony, he worries that the company proposal to

1 use a share of pipeline discounts to fund the program would  
2 burden the PGA with non-gas costs and set a bad precedent.

3                   How do you respond?

4           A.       I do not share those concerns for several  
5 reasons. First of all, I believe that you can certainly  
6 establish a connection between the funding of this program  
7 and gas costs and recoverability through the PGA clause. I  
8 say that for two reasons.

9                   First of all, the pipeline discounts are  
10 monies that are made available by the fact that the company  
11 was unab-- able to secure transportation services, which is  
12 a gas cost, at rates less than what the maximum Federal  
13 Energy Regulatory Commission rates are on file with that  
14 Commission. Would it not be for the negotiation of dis--  
15 that discount, those dollars, those transportation discount  
16 dollars would be gas costs flowed through to the company's  
17 customers.

18                   Secondly, it should be understood by all that  
19 the arrearages which the company is proposing to forgive in  
20 this proceeding, for the most part, those arrearages are  
21 gas-cost related. We have stated on numerous occasions that  
22 approximately 70 percent of customers' bills are related to  
23 gas costs. So from that standpoint there certainly is a  
24 connection to gas costs.

25           Q.       In the past, has Laclede have -- did Laclede

1 have incentive mechanisms in which it used the pipeline  
2 discounts as a profit reward?

3           A.       Yes, it did, and that's the -- one other  
4 reason why I'm surprised that Mr. Sommerer is expressing  
5 some -- some concern about these amounts being flowed  
6 through the PGA clause. In previous incentive plans  
7 approved by the Commission, the company was permitted to  
8 retain a share of the savings secured for customers in its  
9 gas supply activities.

10                   Those amounts which eventually flowed through  
11 to the company's bottom line as profits were not referred to  
12 as non-gas costs or not considered to be a problem in terms  
13 of non-gas costs. In fact, they were considered to be  
14 incentive revenues, and all we're doing now in this  
15 proceeding is taking those same amounts and proposing that  
16 they be dedicated to the forgiveness of customer arrearages.

17                   So, if anything, in this proceeding, under the  
18 company's proposal, I would suspect that these amounts which  
19 in the past have been flowed through to customers under this  
20 previous incentive plan -- under the company's previous  
21 incentive plans, these amounts now are actually -- should be  
22 considered -- should be more attractive to the Commission in  
23 terms of what we're doing with them, rather than more  
24 problematic, as Mr. Sommerer might suggest.

25           Q.       Thank you, Mr. Cline.



1                   On page 6 of Mr. Sommerer's testimony, he  
2 lists several difficulties that he has with incentives for  
3 pipeline discounts.

4                   How has Laclede responded?

5           A.       First of all, in the past, in previous  
6 incentive plans approved by the Commission, the company has  
7 attempted to address many of these same concerns raised by  
8 Mr. Sommerer.

9                   Also, I would like to point out that one of  
10 the concerns Mr. Sommerer expressed in his testimony has to  
11 do with the possible reverse incentive created by --  
12 possibly created by the company's desire, perhaps, to  
13 maximize its transportation discounts, perhaps with the --  
14 at the expense of or with the risk of increasing another  
15 costs, namely gas procurement cost.

16                  I would just like to stress that I don't think  
17 that that is really -- it should be a concern here, given  
18 the fact that in the rate case in the new tariffs just  
19 recently approved by the Commission in our rate case, we now  
20 have an incentive plan that covers gas procurement costs in  
21 which the company has a strong incentive to keep those gas  
22 procurement costs to a minimum, because to the extent it  
23 does, under certain conditions, it is permitted to retain  
24 up to -- it is permitted to retain 10 percent of savings.

25                  Therefore, I think it's -- it's highly

1 unlikely the company would try to do something to manipulate  
2 the transportation discount, recognizing that there could be  
3 some gas cost going on at the same time. I just don't think  
4 that's a concern in -- given the kind of tariff provisions  
5 we have in place today.

6 Q. Okay. And has Laclede offered to cap the  
7 funding of the Catch-Up/Keep-Up program?

8 A. Yes, it has, at \$6 million.

9 Q. And has Laclede given up its portion of the  
10 pipeline discounts that were going to benefit Laclede?

11 A. Yes, it has. And I think that's another  
12 reason why, you know, I believe some of these concerns of  
13 Mr. Sommerer's certainly shouldn't be as problematic as  
14 maybe they could have been in his eyes in the past, even  
15 though, as I expressed, we don't believe they were concerns,  
16 legitimate concerns.

17 But now, to the extent the company no longer  
18 has taken any dollars to the bottom line, I believe the kind  
19 of discount provisions we have for funding this program are  
20 entirely appropriate.

21 Q. So where Staff refers to this as a rate  
22 increase, is this in your opinion a rate increase that goes  
23 to Laclede?

24 A. No, it definitely is not. I think Mr. Fallert  
25 addressed this just several minutes ago. Certainly I

1 consider this to be more of a -- of a transfer of dollars, a  
2 shifting of dollars from one group of customers to another,  
3 at most. I mean, it certainly is not an overall increase in  
4 revenues to Laclede. It's probably more akin to a rate  
5 design change than it is anything -- it is definitely more  
6 akin to a rate design change than it is a -- a rate  
7 increase.

8                   Even though -- even though the PGA rates and  
9 the rates for all customers will be increased for the  
10 general body of ratepayers, it should be recognized at the  
11 same time there are the low-income customers whose bills  
12 will be reduced as a result of this -- of this proposal.

13                   Therefore, with those reductions, those  
14 reductions offset the increases to the general body of  
15 ratepayers, except for the amounts which have been -- under  
16 the program are dedicated to administrative purposes or  
17 weatherization. And even those, those -- those funds  
18 certainly are put to good use.

19           Q.       Thank you, Mr. Cline. Did you have anything  
20 further?

21           A.       Those funds could be put to good use to the  
22 benefit of all ratepayers.

23                   MR. ZUCKER: Thank you. That's all I have for  
24 now.

25                   JUDGE RUTH: Public Counsel,

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1 cross-examination?

2 CROSS-EXAMINATION BY MR. MICHEEL:

3           Q.       Mr. Cline, I've got some questions regarding  
4 your rebuttal testimony, when Mr. Zucker asked you regarding  
5 arrears and you said that the program is going to forgive  
6 low-income customers' arrearages; is that correct?

7           A.       That's true.

8           Q.       In fact, those arrearages aren't going to be  
9 forgiven, they're going to be paid from the 30 percent of  
10 the pipeline discounts that Laclede Gas Company is putting  
11 in their funds; is that correct?

12          A.       I don't see much difference there. I think  
13 these arrearages are going to be forgiven. The way they're  
14 going to be forgiven is through this funding device that we  
15 propose.

16          Q.       Let me give you an example, Mr. Cline. Let's  
17 assume that I owe you a dollar, okay? And I'm not paying  
18 you that dollar, and Mr. Molteni pays you that dollar, okay,  
19 on my behalf.

20                   Have you forgiven the debt or has somebody  
21 else paid my debt?

22          A.       In that instance, somebody else has paid your  
23 debt. And from that point, I don't consider I have a -- a  
24 loss -- I have a loss to you. You still obviously owe me  
25 some money. If you had somebody else cover that debt for

1 you, I'm made whole. I'm fine.

2 Q. Okay. In this situation, Laclede Gas Company  
3 is owed some arrearages; is that correct?

4 A. In that situation, Laclede Gas Company is owed  
5 some arrearages from some customers.

6 Q. From low-income customers; is that correct?

7 A. That's correct.

8 Q. And so what this proposal does is it takes  
9 30 percent of the pipeline discount, puts them in a  
10 walled-off fund from all of the customers and says,  
11 low-income customers, as long as you're paid four months in  
12 a row, a quarter, we'll reduce up to one-fourth or \$375 of  
13 your arrearages. We'll take that money out of the fund and  
14 we will pay it off. Isn't that correct?

15 A. I'm saying those debts are being forgiven and  
16 that's being made possible by the funds provided by the  
17 other ratepayers. And I certainly don't know why this --  
18 why this seems to be a big -- a big concern.

19 We're -- we are simply indicating that we  
20 think this is an appropriate tool, an appropriate means by  
21 which the general body of ratepayers, as you expressed many  
22 times yesterday, can make possible the forgiveness of  
23 arrearages for those low-income customers. And that's to  
24 everybody's benefit.

25 Q. But you would agree with me ultimately that

1 Laclede Gas Company's being paid; is that correct?

2           A.       Laclede Gas Company is being paid, that's  
3 correct.

4           Q.       Okay. Mr. Zucker also asked you about your  
5 view, is this a rate increase or not. I believe you -- you  
6 indicated that you believe it's more of a rate design  
7 change; is that correct?

8           A.       Yes, sir.

9           Q.       You would agree with me, would you not, that,  
10 all else being equal, that all customers' rates are going to  
11 increase by at least up to the cap of \$6 million with  
12 respect to the pipeline discounts?

13          A.       I would agree with you that all customers, the  
14 general body of ratepayers, their rates -- their bills will  
15 go up by \$6 million. And at the same time the bills of the  
16 low-income customers or ratepayers will be reduced, so that  
17 will -- or there'll certainly be an offset, along with the  
18 monies going to administration and weatherization program,  
19 such that there is no overall increase in revenues to the  
20 company, certainly no overall increased benefit from that  
21 standpoint.

22          Q.       Well --

23          A.       Like a general rate increase, this certainly  
24 should not be characterized as a general rate increase.  
25 It's nothing like that. It's nothing like we just went

1 through when Laclede filed its general rate case back in  
2 January. It's nothing like that.

3 Q. And no one said it was, did they, Mr. Cline,  
4 except for you?

5 A. I've heard references to this being a rate  
6 increase. I -- I think Mr. Imhoff, in his testimony, refers  
7 to it as a rate increase.

8 Q. Does he refer to it as a general rate  
9 increase?

10 A. I don't know about the term "general rate  
11 increase." He certainly referred to it as a rate increase.

12 Q. Okay. And my question is, other than you, has  
13 anyone referred to it as a general rate increase?

14 A. Not that I know of.

15 Q. Okay. So that's only your term; isn't that  
16 correct?

17 A. I just wanted to make sure -- I had to clarify  
18 with you. I didn't want you to be misled by what I was  
19 saying. I wanted to make sure we had that clarified between  
20 you and I.

21 Q. And I never said -- in my question, I said all  
22 else remaining the same, okay, holding everything else the  
23 same, customers are going to see a \$6 million increase;  
24 isn't that correct?

25 I think you agreed with me.

1           A.       I did agree with you.

2           Q.       And I didn't say general increase, did I?

3           A.       I think we're together now.

4           Q.       Okay. We're one now.

5                    You also indicated, I think, in response to

6 Mr. Zucker that you thought it's -- it's just a complete

7 offset.

8                    Now, there's no evidence in this case that the

9 5.4 million -- and I'm excluding the \$600,000 for

10 administrative cost. There's no evidence in this case that

11 there's going to be a linear relationship in reduction of

12 costs to all customers, is there, Mr. Cline?

13          A.       What do you mean by linear relationship?

14          Q.       Linear is one to one, dollar for dollar.

15          A.       I think we talked about how there will -- that

16 we don't expect that there will be a -- a -- Mr. Fallert's

17 mentioned on several occasions we do not expect there will

18 be a \$5.4 million, \$6 million decrease in bad debts.

19          Q.       Indeed, Mr. Fallert testified in his testimony

20 there would be about a \$2 to \$3 million decrease; isn't that

21 correct?

22          A.       He did say something along those lines, and I

23 think the key thing there to remember is, to the extent

24 there is only a \$2 to \$3 million -- or that even if all

25 these funds aren't used for the forgiveness of bad debts, if



1 there's unused monies left over, those monies would be  
2 eventually flowed back to ratepayers. And if there's a  
3 reduction in bad debts to 2 to 3 million, whatever it  
4 amounts to, that will produce long term benefits for all  
5 ratepayers.

6 Q. And until those savings are captured in a rate  
7 case, Laclede Gas Company reaps the benefits of those due to  
8 regulatory lag; isn't that correct?

9 A. It does. And that's -- as you know,  
10 that's the way it has been for years and there's really --  
11 yeah, that is traditional -- traditional ratemaking. Many  
12 costs -- I think reductions in many costs have the same kind  
13 of effects. That's what gives a company an incentive to go  
14 out there and lower costs, so that in the long run  
15 everyone's rates can be lowered.

16 And to a large extent, too, those -- those --  
17 that temporary over-recovery of bad debts can be considered  
18 an offset to the many other increases the company's  
19 incurring between rate cases. And in most -- in most cases  
20 we see more of those increases than we do decreases.

21 Q. Well, in this case, though, isn't it correct  
22 that the customers would be providing the money to lower  
23 those debts via the 30 percent walled-off fund from the  
24 transportation discounts?

25 So it is, indeed, unlike a different situation

1 where the company has instituted something on its own  
2 behalf. I mean, in this case, isn't it correct that the  
3 customers would be providing the funding for that?

4       A.       Dollars will be made available by the  
5 customers, just like -- just like rates are set for all --  
6 you know, rates customers provide dollars -- all the dollars  
7 to the utility, and to the extent that the company can go  
8 out and lower any kind of cost, the customers make that  
9 temporary benefit possible.

10       Q.       So customers make it possible for your company  
11 to reduce force and save money that way?

12       A.       I'm saying that -- that to the extent the  
13 rates are based on -- rates are based on costs at a point in  
14 time, and -- and customers pay those rates. And if  
15 subsequently the company can do something that -- where it  
16 can more efficiently operate, it can lower its costs for the  
17 benefits of all customers.

18               The customers provided funds that when you  
19 compare those rates to the lower costs, that difference,  
20 that positive number is made -- is, in fact, made possible  
21 by the ratemaking process and gives the company incentive to  
22 make those kinds of reductions, which in the long run are  
23 eventually captured in the -- in the ratemaking process in  
24 future rates.

25       Q.       Let me ask you some questions about your

1 direct testimony, Exhibit No. 3, focusing on page 5 there.

2           You indicate that Public Counsel's filed  
3 testimony supporting and proposing low income energy  
4 assistance programs in Case No. GR-92-165; is that correct?

5           A.       Yes, sir.

6           Q.       Did you participate in that case?

7           A.       I did participate in that case.

8           Q.       Did you review Public Counsel's testimony in  
9 this case?

10          A.       I recall Public Counsel's testimony in that  
11 case, yes.

12          Q.       What do you recall about it?

13          A.       I remember the specific recommendation. I  
14 recall that it was something that obviously was not picked  
15 up on at the time that that case was settled. I can't  
16 recall, you know, all the dynamics back and forth and any  
17 kind of settlement discussion between Laclede and Office of  
18 the Public Counsel regarding that particular plan, but I  
19 certainly was involved in that case.

20          Q.       And what was the specific recommendation that  
21 you recall?

22          A.       I just don't recall that -- that certainly we  
23 didn't do anything with respect to that recommendation in  
24 that case that I can recall.

25          Q.       But you just told me that you recalled our

1 specific recommendation, and I'm asking you what was our  
2 specific recommendation in that case, Mr. Cline?

3 MR. ZUCKER: I'm going to object to that, your  
4 Honor. I didn't hear him say he recalled the specific  
5 recommendation. I heard him say he recalled the testimony.  
6 So . . .

7 MR. MICHEEL: I'd ask her to read back his  
8 answer.

9 And I think he said -- I asked him  
10 specifically, what did you recall, and Mr. Cline said, I  
11 recall the specific recommendation, and then he went on to  
12 other items.

13 JUDGE RUTH: Let's have the court reporter  
14 read back the question. Give her a minute to find that.

15 (THE REQUESTED TESTIMONY WAS READ BY THE  
16 REPORTER.)

17 JUDGE RUTH: I'm overruling the objection.  
18 You may need to refresh the witness' memory and restate your  
19 question, Mr. Micheel.

20 BY MR. MICHEEL:

21 Q. In response to the question that the court  
22 reporter just read back, you said, I recall the specific  
23 recommendation.

24 And my question, Mr. Cline, is what was the  
25 specific recommendation?

1           A.       Well, I stand by my previous answer, and I  
2 just want to clarify, I recall that -- I recall there  
3 being -- I recall this -- this recommendation or I recall  
4 this testimony. Maybe that's a better answer.

5                   As far as the specifics of the testimony, I  
6 can't say I recall the specifics of the testimony and what  
7 the specific proposal was. It certainly was something along  
8 the lines of -- of the desire to put in place some  
9 provisions for the benefit of low-income customers, similar  
10 to what was done by Mr. Guyant, or Guyant, in Wisconsin.

11                  And I recall his testimony, his discussion of  
12 the very things that Wisconsin -- Wisconsin did, and the  
13 success there, some of which were related to arrearage  
14 forgiveness and how that can have long-term benefits for  
15 ratepayers.

16                  Beyond that, though, I can't recall the  
17 exact -- the exact plan that OPC wanted at that time.

18       Q.       So in your testimony you say we advocated a  
19 program like Catch-Up/Keep-Up that was focused on reducing  
20 customer arrears; is that correct? That's what you  
21 testified to?

22       A.       Yeah. I just referred to the fact that Guyant  
23 did and that was covered in Mr. Guyant's testimony which  
24 was -- which was filed in this proceeding as well, along  
25 with Mr. Kind's.

1 Q. Were there other components to Mr. Guyant's  
2 proposal?

3 That's G-u-y-a-n-t.

4 A. Thank you. He not only discussed arrearage  
5 forgiveness, but he also, I believe, discussed, you know,  
6 something to lower rates for low-income customers as well.  
7 And I think there was probably a weatherization component  
8 also.

9 Q. You're getting closer, Mr. Cline. It was a  
10 three-prong program, wasn't it, Mr. Cline?

11 A. I think you discussed --

12 Q. One was arrearage forgiveness, one was  
13 weatherization, and one was a reduced payment plan or a  
14 different rate; isn't that correct?

15 A. That sounds familiar.

16 Q. Did you review Mr. Guyant's testimony before  
17 you filed your direct testimony where you claim that that  
18 program was like the Catch-Up/Keep-Up plan?

19 A. I did not re-- review it in detail. I was --  
20 certainly had enough awareness of it that I thought it  
21 was -- it was a valid association with what we're trying to  
22 do in this case.

23 Q. Is it correct that the Catch-Up/Keep-Up plan  
24 lacks two of the three components that were included in  
25 Mr. Guyant's proposal?

1           A.       Well, it may -- it may lack the component  
2 pertaining to a lower -- a lower rate, you know, prospective  
3 rate for low-income customers. I think now that the --  
4 certainly when you consider the fact that the company has  
5 agreed to the additional \$300,000 funding for weatherization  
6 recommended by your witness, I think there's certainly now a  
7 weatherization component and, obviously, the big part of the  
8 proposal was forgiveness of customer arrearages.

9                   And I certainly think that the plan shouldn't  
10 be thrown out just because -- just because it doesn't  
11 address -- only addresses two out of three components. It's  
12 a good plan that could benefit a lot of customers, and I  
13 just don't understand why from that -- on that basis it  
14 should be disregarded.

15          Q.       Did I say it should be, Mr. Cline?

16          A.       Just wanted to make sure that nobody's left  
17 with that impression.

18          Q.       Did anyone give that impression?

19          A.       I was concerned with your line of questioning,  
20 that that could be the impression that was left.

21          Q.       Needless to say, when you filed your direct  
22 testimony, there was no weatherization proposal made by the  
23 company; isn't that correct?

24          A.       The company already had a weatherization  
25 program in place.

1 Q. You also talk about the MGE ELIR program; is  
2 that correct?

3 A. I refer to that, yes, sir.

4 Q. Do you know what level of funding that program  
5 receives?

6 A. I know that it amounts to roughly an 8 cent  
7 surcharge per residential bill.

8 Q. And how many residential bills does MGE have,  
9 do you know?

10 A. I'm not -- I'm not aware of what MGE's  
11 customer numbers are. I know it's something less than  
12 Laclede. It's about two-thirds the size of Laclede.

13 Q. So if I told you it was about a \$300,000  
14 program, would you quibble with me?

15 A. \$300,000 program? I would not quibble with --  
16 I would not quibble with you, Mr. Micheel.

17 Q. So this program is, what, 20 times the size of  
18 that experimental program, roughly? Maybe my arithmetic is  
19 wrong.

20 A. Not quite that. And certainly we think  
21 there's a big problem out there, that there's a lot of good  
22 we can do with that money.

23 Q. Is it correct that the MGE ELIR program is  
24 limited to a thousand customers?

25 A. That sounds correct.



1 Q. So it's a much smaller scale than this  
2 proposed program; isn't that correct?

3 A. It sounds like a much smaller scale, but  
4 apparently we're trying to address a much larger problem.

5 Q. Well, I hope you reviewed the MGE tariffs. I  
6 mean, they're attached as a schedule to your testimony.  
7 Did you read those or did you just attach?

8 A. I read them.

9 Q. So you're aware it's a thousand participants?

10 A. Yes. Yes. I am aware. That sound -- I don't  
11 remember all the details. There were a lot of -- a lot  
12 attached to my testimony, and I can't say I remember --  
13 remember every detail.

14 Q. Part of the basis for this proposal is, my  
15 understanding, that allowing Laclede to put the up to  
16 \$6 million of pipeline discounts into this fund, the company  
17 believes that it's going to have an incentive -- that it's  
18 going to give it an incentive to be vigilant in negotiating  
19 its pipeline discounts; is that correct?

20 A. We believe that it's appropriate to have a --  
21 an incentive connected with pipeline discounts, that's  
22 correct.

23 Q. And now roughly ballpark, just based on the  
24 \$6 million cap, which is 30 percent, Laclede's achieving  
25 roughly -- and I know that the specific number is HC, and I

1 don't want to do that -- but the number's roughly around  
2 \$20 million currently, isn't that correct, Mr. Cline?

3           A.       The transportation discounts the company is --  
4 has calculated for fiscal year 2002 was in that ballpark. I  
5 think that should -- that should have been conveyed to you  
6 in a response to one of your Data Requests. It's in that  
7 ballpark.

8                   However, when you say -- talk about what's  
9 being done today, I'm not so sure I'd agree with that. I  
10 know that there's some -- in fiscal year 2003, I believe  
11 there's some discount arrangements that have fallen by the  
12 wayside, and there may be more discount arrangements falling  
13 by the wayside in the near future.

14           Q.       And isn't it correct that your company has  
15 been able to achieve in the neighborhood of \$20 million of  
16 discounts -- pipeline discounts since about 1993?

17           A.       I would -- as far as going back to 1993, I  
18 would, I think, disagree. I'm not so sure we calculated  
19 pipeline discounts back in 1993. We did not have a gas  
20 supply incentive plan that was effective back then. I  
21 think our first gas supply incentive plan became effective  
22 October 1, 1996.

23                   And as far as the -- if you'd like to show me  
24 the company's response to Public Counsel's Data Request 603,  
25 which unfortunately I don't have all the details with me

1 today, I'd be glad to review that to confirm that your  
2 numbers are right.

3                   But the company has had discounts in the  
4 ballpark of \$20 million, plus or minus. That accounts the  
5 number. We've had -- we've had transportation contracts  
6 terminate and new ones come about over this period of time,  
7 and so it's not -- it's not a constant number. It's not  
8 something we can necessarily always count on.

9                   And as I said before, some of these things  
10 could be -- some of these contracts and discounts may not be  
11 so sure in the future, unless the company's out there  
12 vigilantly trying to secure those discounts for its  
13 customers.

14           Q.       Let me ask you this: At least since 1996,  
15 you would agree with me that the company's had at least  
16 \$20 million in pipeline discounts; isn't that correct?

17                   We've been through this in numerous  
18 proceedings, Mr. Cline, haven't we?

19           A.       Been through what?

20           Q.       What Laclede's level of pipeline discounts  
21 have been for any number of years. And this isn't new to  
22 you and I, is it?

23           A.       No, it isn't. But if -- I'm just saying I  
24 just don't have those exact numbers in front of me right  
25 now. And if you want -- like I said, if you want to give me

1 your -- the company's response to OPC Data Request 603, I'd  
2 be glad to -- before we, you know, before we go off the  
3 record to verify that you're correct, but . . .

4 Q. Well, there's no doubt in your mind that it's  
5 been over \$20 million since 1996?

6 A. Sounds about right. Sounds about right.

7 Q. I mean, that's been in evidence in numerous  
8 other proceedings.

9 A. Then -- then I think we're okay.

10 Q. Okay. Let me talk about those contracts.  
11 How many different transportation contracts  
12 does the company have?

13 A. Well, we have -- we obviously have a couple  
14 contracts with MRT.

15 MR. ZUCKER: Your Honor, let me object here.  
16 If we're going to talk about specifics of our programs here,  
17 I think we should go in-camera.

18 MR. MICHEEL: May I respond, your Honor?

19 First of all, I didn't ask him about any of  
20 the specifics. I asked him how many contracts they have in  
21 place. So I think that's fine to be in public. And if I  
22 do ask him any specific questions, I'll note they're HC or  
23 Mr. Cline can tell me they're HC and we'll go into HC.

24 But I don't think there's any need right now  
25 to be in HC. I just asked him how many contracts they have,

1 and if he says they have a contract with MRT, we have a  
2 contract with MGPL, I don't know how that's HC.

3 JUDGE RUTH: Well --

4 MR. ZUCKER: I think I'm okay with that  
5 response. We're starting to --

6 JUDGE RUTH: Okay. I'll remind both parties,  
7 though, especially the witness, think before you answer. If  
8 you think you're about to answer HC, please let me know.

9 MR. ZUCKER: Or if you think you're about to  
10 ask HC.

11 JUDGE RUTH: Exactly.

12 MR. ZUCKER: Thank you.

13 MR. MICHEEL: When I ask an HC question, I'll  
14 say it's HC and we should go into HC.

15 JUDGE RUTH: Thank you, Mr. Micheel.

16 MR. MICHEEL: Sure.

17 JUDGE RUTH: You may continue.

18 BY MR. MICHEEL:

19 Q. Do you remember the question, Mr. Cline?

20 A. Yes, I do. Just a real rough number here,  
21 about 13, 14, 15 contracts, something in that range.

22 Q. Okay. Could you name the pipelines they're  
23 on?

24 A. We have several transportation contracts,  
25 including the storage contract, on MRT. We have a

1 transportation contract on Reliant or Centerpoint. We have  
2 a transportation contract or two on Trunkline. We have one  
3 on Gulf South. We have several, maybe as many as four,  
4 three or four, on Natural Gas Pipeline Company of America.  
5 We have one with Panhandle Eastern. We have one with  
6 Missouri Pipeline Company. We have one with Williams.

7                   Those are the ones that come to mind right  
8 now.

9           Q.       Okay. And let me ask you this: Is the term  
10 that those transportation agreements expire, is that an HC  
11 item?

12          A.       I don't believe -- I don't believe it is. I  
13 think that information is publicly available at the FERC.

14          Q.       Okay. Is it correct that most of your MRT  
15 contracts -- and I can give you the contract numbers  
16 specifically if that makes you happy. Will that be easier  
17 or can you just answer it generally?

18          A.       I don't -- contract numbers probably won't  
19 help me out, and I'll tell you this: I'm not -- that's a  
20 relatively new contract. I may not be able to help you with  
21 the details of that. But we can give it a try.

22          Q.       Well, is it correct that those MRT contracts  
23 run through 2007?

24          A.       That sounds right.

25          Q.       With respect to your Williams Natural Gas

1 contract, is it correct that that's got a rollover and the  
2 term started in 1998 and it's a five-year contract?

3           A.       I guess when I think of the Williams contract,  
4 I agree with you it started in 1998. I guess I think of  
5 that having more like a 13-year term that goes to, like,  
6 2011 or so.

7           Q.       So the Williams contract goes to 2011.  
8                    Is it correct that your MGPL contracts, at  
9 least three of them, go through 2005?

10          A.       There are some that go through 2005, I recall.

11          Q.       And two of them go through 2003?

12          A.       Those are the ones I was referring to a little  
13 while ago. Those are on the horizon. We don't know, you  
14 know, how those are going to pan out in terms of what kind  
15 of discounts we'll be able to negotiate on those.

16          Q.       Your Reliant contracts go through 2003; is  
17 that correct?

18          A.       I think that's correct.

19          Q.       Gulf South through 2003?

20          A.       I think that's correct as well.

21          Q.       Your Trunkline through 2004?

22          A.       I believe that may be right.

23          Q.       And another Trunkline through 2003; is that  
24 correct?

25          A.       That sounds -- I believe that's correct.

1 Q. Okay. Now, on which of those pipelines does  
2 the company receive a discount from the FERC maximum range?

3 A. The company receives discounts on Reliant or  
4 Centerpoint, Trunkline, Gulf South, Natural, Panhandle  
5 Eastern.

6 I think that may be it.

7 Q. And those contracts are already all in place  
8 and at least all through, at the shortest, 2003; is that  
9 correct?

10 A. That's correct. Also want to just clarify my  
11 previous answer. The company also does receive a -- kind of  
12 a generic -- not a generic, but system-wide discount on MRT,  
13 which has -- which has never been something we've included  
14 in our transportation discount calculations. That's  
15 something more that came about as a fallout of a rate case.

16 But I do agree with your previous question.

17 Q. Let me ask you this, Mr. Cline. I'm glad you  
18 brought up that MRT discount. You would agree with me that  
19 in the previous GSIP proceedings that discount hadn't been  
20 included in the calculation of the discount numbers. That's  
21 correct, right?

22 A. That's correct.

23 Q. Is it Laclede's anticipation for determining  
24 the discounts for use in Catch-Up/Keep-Up program to utilize  
25 that MRT discount?



1           A.       No, it is not. The discount I just discussed,  
2 the system-wide discount?

3           Q.       Yes, sir.

4           A.       No. No, sir.

5           Q.       Why not?

6           A.       Why not? I believe it goes back to an  
7 insistence on the part of the Missouri Public Service  
8 Commission Staff several years ago that that be excluded.

9           Q.       Okay. But those -- the insistence by the  
10 Staff in those cases were separate GSIP proceedings,  
11 different proceedings than this one; isn't that correct?

12          A.       Separate from this Catch-Up/Keep-Up  
13 proceeding?

14          Q.       Yes, sir.

15          A.       Sure.

16          Q.       I mean, have you heard from the Staff that  
17 they oppose inclusion of that discount in this proceeding?

18          A.       I -- I -- I don't know. I don't know. I  
19 can't -- I just don't -- I can't say whether they have said  
20 that or not.

21          Q.       Okay. Does Exhibit 13, the new tariff sheets,  
22 do they specifically exclude the MRT discount?

23                   And I don't know. I haven't -- I didn't see  
24 that. If they do, please point it out.

25          A.       No. My recollection, it does not.

1 Q. So at least as the tariff's written, those MRT  
2 discounts should be included; isn't that correct?

3 A. You're suggesting we do include them for  
4 purposes of funding the program?

5 Q. Well, they're not specifically excluded, so  
6 they're going to be included. Wouldn't that be correct?

7 A. They certainly are not specifically excluded.  
8 I suppose interpretation could be made that they'd be --  
9 be included. I guess, you know, I would have some  
10 reluctance to include them based on the Staff's previous  
11 disposition towards discounts.

12 And on top of that, those discounts are --  
13 are -- do have a sunset date. I mean, they're -- they're  
14 not going to be around a whole lot longer. They expire  
15 after -- I believe they may expire after this -- this year  
16 we're in right now.

17 Q. So do you want to make a change to your tariff  
18 and suggest now that we exclude the MRT discounts?

19 I mean, we can make another change. Is that  
20 something Laclede wants to do at this point?

21 A. That wasn't the reason for me. I didn't come  
22 here with that -- with that intention.

23 Q. So we should include them?

24 A. If -- if there was agreement among the parties  
25 that those transportation discounts should be included, I

1 don't know why the company would resist that.

2 Q. Okay. I'm trying to understand this concept  
3 of the company being incented, Mr. Cline.

4 I mean, it's correct that the company's  
5 already at the \$6 million cap, correct?

6 A. It certainly, based on fiscal year 2002, was  
7 at the 6 million cap. I can't -- I haven't run the numbers  
8 for fiscal year 2003.

9 As I indicated before, I believe, I already  
10 know of one arrangement that is -- where the discounts are  
11 going to be -- because of the -- of the change in the one  
12 arrangement, those discounts will be lower in fiscal 2003.  
13 And I know that there's probably another discount that's  
14 going to fall by the wayside shortly, and others, they could  
15 go by the wayside as well, is because of the general -- just  
16 because of what's -- what's going on in the transportation  
17 industry.

18 Q. Which discount won't there be next year,  
19 Mr. Cline?

20 A. That may be -- that may be a -- an HC matter.

21 MR. MICHEEL: I'm happy to go into HC, if it's  
22 HC.

23 JUDGE RUTH: Okay. We will take -- what we're  
24 going to do is, it's already five after ten. We've been  
25 going over an hour and a half. We're going to take a break.

1 When we come back, we're going to be in HC, and I'll ask the  
2 attorneys to help me monitor the back of the room and make  
3 sure that everyone's left that needs to be out for the HC.

4 And we're going to take a 15-minute break,  
5 which means we'll come back at -- we'll say 20 after.

6 We're off the record now. Thank you.

7 (A BREAK WAS TAKEN.)

8 (EXHIBIT NO. 13 WAS MARKED FOR IDENTIFICATION  
9 BY THE REPORTER.)

10 (REPORTER'S NOTE: At this point, an in-camera  
11 session was held, which is contained in Volume 5, pages 338  
12 through 343 of the transcript.)

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1 JUDGE RUTH: Mr. Micheel, if you'd like to  
2 continue.

3 Thank you.

4 BY MR. MICHEEL:

5 Q. Mr. Cline, are you aware of the emergency cold  
6 weather rule that was implemented last winter?

7 A. Yes, I am.

8 Q. And was that proposed by the Public Service  
9 Commission?

10 A. That sounds correct.

11 Q. The Office of the Public Counsel didn't  
12 recommend that; is that correct?

13 A. I don't know what the Office of the Public  
14 Counsel's involvement was with that. That's not a matter I  
15 stayed real close to. I have a general awareness of that  
16 rule and -- but that's about it.

17 Q. Okay. So as part of your job of rates and  
18 reg-- what's your title?

19 A. Director of tariff and rate administration.

20 Q. Okay. You didn't follow the cold weather rule  
21 implementation, experimental cold weather rule  
22 implementation at all? You're unfamiliar with that?

23 A. No. I followed it, but in terms of details,  
24 I'm -- I'm just not -- before you even get into questions, I  
25 want to let you know that I'm just not real familiar with

1 all the details in terms of, you know, what arrangements  
2 change and everything under that rule compared to what  
3 was -- compared to the traditional rule.

4 Q. But you are aware that that was a rule that  
5 was proposed by the Commission, not the Office of the Public  
6 Counsel, isn't that correct, and not the Commission Staff?

7 A. I don't know what the Office of the Public  
8 Counsel's involvement was in that -- with respect to what  
9 your comments were, what your position was, I can't say I  
10 know what that was.

11 MR. MICHEEL: Thank you for your time.

12 JUDGE RUTH: Thank you. Move on to DNR.

13 MR. MOLTENI: Thank you, your Honor.

14 CROSS-EXAMINATION BY MR. MOLTENI:

15 Q. Good morning, Mr. Cline.

16 A. Good morning.

17 Q. I don't have a huge number of questions for  
18 you, but I wanted to talk a little bit about weatherization.

19 You testify, and I'll quote, quote, The main  
20 crux of the program, monetary grants afforded to individual  
21 customers based on their eligibility for assistance under  
22 low-income guidelines, is indistinguishable from  
23 weatherization and other programs that have previously been  
24 approved by the Commission.

25 Is that accurate from your testimony?

1           A.       That sounds correct.

2           Q.       But the weatherization component of

3 Catch-Up/Keep-Up that was contemplated at the time you filed

4 your testimony, in terms of the weatherization practices or

5 measures is not indistinguishable from the other

6 weatherization programs that have been approved by the

7 Commission; is that correct?

8           A.       I'm not sure I understand your question.

9           Q.       Well, let me phrase it to you this way, maybe

10 using your example.

11                   Laclede this morning submitted a new tariff

12 specimen, Exhibit 13; is that right?

13           A.       At your request.

14           Q.       And, in fact, I assume you were involved in

15 drafting that. Were you?

16           A.       I was involved in -- in simply for the most

17 part taking language which had already been -- been proposed

18 by Laclede or advanced by other parties and simply placing

19 that in the form of a tariff sheet.

20           Q.       Okay. Does that mean you were involved in

21 drafting what is Exhibit 13 or not?

22           A.       It means I -- I -- I prepared the -- the

23 Exhibit 13, but the -- I'm just letting you know that,

24 obviously, the authors of many of those changes were -- you

25 know, there were other authors than myself. I was simply

1 performing a clerical class (sic) -- a clerical task. Close.

2 Q. But you were involved in preparing it, whether  
3 in a clerical matter or in a clerical capacity or in a  
4 substantive capacity?

5 You're familiar with it, are you not?

6 A. Sure, yes. Yes, I am.

7 Q. Okay. The weatherization that you talk about  
8 in your testimony as indistinguishable from other  
9 weatherization programs, it's my understanding you were  
10 talking about weatherization practices like turning a  
11 thermostat down; is that right?

12 A. Well, I was simply expressing the fact that  
13 this -- our program is directed at the same types of  
14 customers with similar guidelines to -- to other programs.

15 Q. Okay. But I want to specifically focus on the  
16 kind of weatherization that was originally contemplated by  
17 Catch-Up/Keep-Up versus the kind of weatherization that I  
18 hope is now contemplated by the newly submitted tariff  
19 specimen. Okay. Let's try to focus on that, Mr. Cline.

20 Under the original version of Catch-Up/Keep-Up  
21 when you use the term "weatherization" in your testimony,  
22 you're talking about weatherization practices like turning  
23 down the thermostat, correct?

24 A. I -- I was referring to practices that would  
25 be probably comparable to what's in our -- you know,



1 weatherization practices I would think in this context would  
2 be similar to weatherization -- to weatherization-type  
3 practices in our existing weatherization program.

4           Q.       Oh, so you were -- so, why don't you list for  
5 me what specific practices, then, you were referring to?

6           A.       Well, the -- once again, I don't have an  
7 in-depth knowledge of the specific types of practices  
8 covered by our weatherization program. That would probably  
9 be a question more directly -- more appropriately directed  
10 to Mr. Moten.

11                   I'm obviously aware we have a weatherization  
12 program, but as far as specifics there, I don't have that  
13 knowledge.

14           Q.       Okay. So you don't -- you don't know what  
15 kind of weatherization practices were contemplated by  
16 Catch-Up/Keep-Up at the time you wrote your testimony?

17           A.       The main -- the main -- as I stated before,  
18 the main purpose for the reference to weatherization in my  
19 testimony is that we were -- we were pointing out the  
20 analogy between the type of program we were trying to  
21 propose for the benefit of low-income customers to the other  
22 types of programs that had been accepted and advanced by  
23 other parties.

24           Q.       Well, then, let me ask you this: Did the type  
25 of weatherization that you were talking about in your

1 testimony include things like insulating older homes?

2           A.       Once again, I didn't have anything in mind.  
3 From where I was coming from with my testimony, the purpose  
4 of my testimony was simply to point out that our program,  
5 the Catch-Up/Keep-Up program which -- which wasn't primarily  
6 dedicated towards weatherization, had some of the same  
7 goals, some of the same -- some similar eligibility  
8 guidelines as other programs.

9                   The -- the purpose was to simply explain that  
10 this is nothing that's very novel in terms of individual  
11 components or the people to which it is directed. What is  
12 novel about our program, perhaps, is the way we -- we  
13 combine certain elements. But that was the whole point of  
14 referring to weatherization in my testimony, is not to talk  
15 about whether we're caulking around windows or putting  
16 plastic over windows or insulating attics in older homes,  
17 newer homes. That wasn't the point of my testimony.

18           Q.       But your testimony does talk about a  
19 weatherization program and compares weatherization with --  
20 the Catch-Up/Keep-Up with weatherization from a financial  
21 standpoint with -- compares weatherization costs of other  
22 programs like Laclede's own weatherization program, does it  
23 not?

24           A.       It talks about grants that, like in our  
25 program, are similar to grants that are available in our own

1 weatherization program, as well as weatherization programs  
2 of other entities.

3           Q.       Okay. Mr. Cline, I don't mean to make this  
4 difficult for you. I just want to make sure because of the  
5 changes that Mr. Moten testified to and the agreement  
6 Mr. Moten has committed Laclede to about funding  
7 weatherization in Laclede's weatherization program versus  
8 what was contemplated in the Catch-Up/Keep-Up program.

9                   I just want to focus on that to make sure that  
10 I understand exactly what kind of weatherization component  
11 is now included in the new version after the specimen tariff  
12 has been offered into evidence.

13                  I assume that the -- that under the new  
14 version under -- well, let's talk about Schedule 13.

15           A.       Okay.

16           Q.       Do you have Schedule 13 in front of you?

17           A.       Yes, I do.

18           Q.       Okay. I'm looking at Sheet 28-j, and  
19 specifically I'm looking at the last sentence of  
20 paragraph 8, subparagraph E. And tell me if I'm reading  
21 this correctly -- and this is the grayed, underlined text.

22                   In addition, each year \$300,000 of program  
23 funds shall be used to supplement the current funding of the  
24 company's existing weatherization program.

25                   Is that correct? Did I read that correctly?

1           A.       You read it correctly.

2           Q.       Okay. And that is a change from the tariff  
3 filing that's related to your testimony, your direct  
4 testimony; is that correct?

5           A.       A change we made in response to the testimony  
6 of other parties and a change we put in tariff sheet form  
7 today, at your request yesterday.

8           Q.       Okay. And I assume that change is committing  
9 Laclede to \$300,000 to a weatherization program that has  
10 what I'll call substantial weatherization components to it,  
11 like insulating homes, correct?

12          A.       It is -- it is a change that -- it is  
13 certainly an additional \$300,000 funding that I would -- I  
14 would say will be funds that would -- would go to the same  
15 types of activities that are -- that are currently  
16 undertaken by our existing weatherization program.

17                   I think that point was clarified by Mr. Moten  
18 yesterday, and certainly inasmuch as I would like to help  
19 you with any kind of clarification there, I think that, you  
20 know, I'm not so sure I can clarify that any more than  
21 Mr. Moten did. I mean, he certainly is -- is more up to  
22 speed on the specifics of that.

23                   But certainly I think this is pretty clear to  
24 me that this -- this is \$300,000 more we're going to be  
25 putting to our existing weatherization program, and whatever

1 activities are undertaken there right now, I would assume  
2 there's \$300,000 more that can be devoted to those efforts.

3 Q. Okay. I'll just ask you what those activities  
4 are. If you know, tell me. If you don't know, tell me you  
5 don't know.

6 So those activities include insulation of  
7 homes?

8 A. I'll try this one more time, or I'll just have  
9 to refer to our company's tariff. If, you know -- if you  
10 insist on me trying to explain our weatherization program,  
11 I'll -- I'll go to the tariff and see if that helps me.

12 MR. ZUCKER: Your Honor -- your Honor, let me  
13 object here. I think he's answered what the purpose of  
14 weatherization was in his discussion and the extent of his  
15 knowledge on weatherization, and I think he's also answered  
16 what the meaning of the sentence is that says that we're  
17 going to add 300,000 to our weatherization program.

18 And I don't think he knows anything more about  
19 it. I don't think it's productive.

20 JUDGE RUTH: Do you have a response?

21 MR. MOLTENI: Your Honor, Mr. Cline's  
22 testimony is to weatherization in the original -- in his  
23 testimony is indistinguishable from existing weatherization  
24 programs. And I just want to make sure that we're all on  
25 the same page as to what the components of those

1 weatherization programs are.

2                   And if he knows, he knows, and if he doesn't  
3 know, he can answer, I don't know.

4                   JUDGE RUTH: I'm going to overrule the  
5 objection and allow you to continue.

6 BY MR. MOLTENI:

7           Q.       So, Mr. Cline, under the scheduled -- or the  
8 Exhibit 13 version of weatherization, I assume we're talking  
9 about Laclede's weatherization program that will include  
10 weatherization components like insulating homes.

11                   Am I correct on that?

12           A.       I would -- I would assume it would include  
13 measures like any types of measures that are currently  
14 contemplated by our weatherization program as set forth  
15 on -- in Rule No. 34 of the company's existing tariff. And  
16 if that's -- it certainly sounds like a reasonable  
17 weatherization type of practice to me. I just -- I just --  
18 I just can't speak to the specifics of what those  
19 weatherization activities are. I would assume insulating  
20 homes, insulating older homes, attic insulation.

21           Q.       What about new energy-efficient appliances?

22           A.       There I would definitely -- I definitely  
23 would -- I don't have that knowledge. I can't say that I  
24 know whether that covers that or not. I assume you probably  
25 already know what's covered by our existing weatherization

1 program. If you know what that is, I'm saying there is  
2 \$300,000 more there to cover whatever that is.

3 Q. Well, okay. Maybe that's a better way to get  
4 around this. So if the existing weatherization program  
5 includes components like -- such as insulation, then that  
6 will be included under Catch-Up/Keep-Up, correct?

7 A. Under this proposal that was contemplated by  
8 the tariff sheets -- by our position -- contemplated by our  
9 position statement and the tariff sheets we circulated  
10 today, that would be correct.

11 Q. Okay. And if the existing Laclede  
12 weatherization program includes funding or grant money for  
13 new energy-efficient appliances, then under the Exhibit 13  
14 tariff sheet Catch-Up/Keep-Up would include that component,  
15 correct?

16 A. I assume that it would.

17 Q. Okay. And if the existing Laclede  
18 weatherization program includes a component for new  
19 energy-efficient heating and cooling equipment, then under  
20 the Catch-Up/Keep-Up would include that component in its  
21 weatherization, too, correct?

22 A. I assume that it would.

23 Q. Okay. And I just want to be clear on  
24 this. When Schedule 13 talks about the company's  
25 existing weatherization program, we're talking about

1 the weatherization program that's established in  
2 Case GR-2001-629, correct?

3 A. That sounds correct.

4 Q. Okay. And could you see any reason why the  
5 company wouldn't agree to include that phrase at the end of  
6 that sentence, so that the whole sentence would read, In  
7 addition, each year \$300,000 of program funds shall be used  
8 to supplement the current funding of the company's existing  
9 weatherization program established in GR-2001-629?

10 A. Based on what I know about this and -- and  
11 where the company is on this whole thing, I -- you know,  
12 there's certainly no hidden meaning that I'm aware of,  
13 anything we put in the tariff sheet today. I would have no  
14 objection to the clarification you're requesting.

15 MR. MOLTENI: Okay. Thank you very much.

16 JUDGE RUTH: Staff, do you have cross?

17 MS. SHEMWELL: Yes, thank you.

18 CROSS-EXAMINATION BY MS. SHEMWELL:

19 Q. Good morning, Mr. Cline.

20 A. Good morning.

21 Q. You may be aware that Mr. Fallert referred a  
22 couple of questions to you. I'd like to begin with one of  
23 those, if I might.

24 He was asked how you are going to divide the  
25 \$600,000 that's now in H(e), I believe, and we've



1 established that 300,000 of that will be used to supplement  
2 the current funding of weatherization.

3                   How is the remaining 300,000 to be divided  
4 among these measures that the company lists in (e)?

5           A.       How is the remaining \$300,000 -- what  
6 remaining \$300,000 are you referring to?

7           Q.       It started out as \$600,000. Of course, now it  
8 says 5 percent of the program's funding cap.

9           A.       Right.

10          Q.       We have conservation measures, customer  
11 outreach, bill payment counseling and those kinds of things,  
12 as well as weatherization.

13                   Have you determined how those funds will be  
14 divided?

15          A.       Among conservation measures, customer  
16 outreach, intake, bill payment counseling and that kind of  
17 thing?

18          Q.       Yes.

19          A.       No, I have no knowledge of how those -- of how  
20 any monies devoted to those efforts will be divided.

21          Q.       Do you know how much of that money will go to  
22 outside -- we've set a 5 percent cap. How much will go to  
23 outside agencies?

24          A.       Well, I think this -- all this money goes to  
25 third parties.

1           Q.       Okay. You indicated, I think in response to  
2 Mr. Micheel, that the bills of low-income customers will be  
3 reduced by this program.

4                   Will you agree with me that they're only going  
5 to be reduced if the low-income customers are able to  
6 participate in the program?

7           A.       Certainly they will not get any -- their  
8 bills, their arrearages will not be reduced and they will  
9 not receive any benefits to the extent they don't  
10 participate in the program.

11          Q.       Yesterday Mr. Pendergast, I don't know a  
12 better word than testified that you were able to reconnect  
13 all of the people that went to the public hearing.

14                   Do you remember that?

15          A.       I heard that, yes.

16          Q.       And my understanding is that one of those  
17 participants had well over \$2,000 in arrearages.

18                   How did you manage to get that customer  
19 reconnected?

20          A.       I have no specific knowledge of how that was  
21 done.

22          Q.       So you don't know if you asked for a portion  
23 of that arrearage?

24          A.       I don't. That's not in the scope of my  
25 activities at Laclede Gas Company.

1           Q.       I'd like to go back to your testimony that  
2 this program is indistinguishable from weatherization. And  
3 let's just talk about Laclede's current weatherization plan,  
4 because that was the basis, I believe, of your testimony.

5                   Does your weatherization plan involve any  
6 forgiveness of arrearages?

7           A.       What weatherization plan are you referring to?

8           Q.       Your current plan.

9           A.       I'm not aware -- I'm not aware of there being  
10 arrearage forgiveness associated with that weatherization  
11 program. Once again, I'm not intimately familiar with all  
12 of the details of that. That's something that Mr. Moten,  
13 I'm sure, has in-depth knowledge of, but I -- I wouldn't  
14 have expected that to be a part of it, based on what I know  
15 about weatherization.

16          Q.       But you did testify that it's  
17 indistinguishable, correct? That was your phrase, from  
18 Catch-Up/Keep-Up. So you have some familiarity with the  
19 current weatherization program?

20          A.       I testified that what was indistinguishable,  
21 Ms. Shemwell?

22          Q.       I'm sorry?

23          A.       I guess I need to hear your question again.

24          Q.       Well, let's look at page 3, starting at  
25 line 11, your answer. The main crux of the program,

1 monetary grants, is indistinguishable from weatherization  
2 and other programs that have previously been approved by the  
3 Commission.

4           You say monetary grants afforded to individual  
5 customers. Does any of this money actually go to customers?

6           A.     Any of what money are you referring to now,  
7 the \$300,000, is that --

8           Q.     No. The Catch-Up/Keep-Up program. The main  
9 crux of the program, monetary grants afforded to individual  
10 customers.

11           I should ask what you were referring to there  
12 perhaps.

13           A.     Well, I think that the money goes to -- to the  
14 extent we're forgiving the arrearages of those customers,  
15 I'd say that money -- you could deem that money to be going  
16 to those customers. I mean, if it's forgiving their bills  
17 and that's money they owe us, so it's for the benefit of the  
18 customers and it's money -- it's money that is owed to us.

19           Q.     And, in fact, the money doesn't really go to  
20 customers, does it, it goes into an account established by  
21 Laclede?

22           A.     The money -- the money generated by this  
23 program goes into an account and -- an escrow account.  
24 Those monies are used to basically wipe out the arrearages  
25 of those customers to the extent that they fulfill the other

1 requirements of that -- that program.

2 Q. And are we currently in agreement that -- I  
3 believe it was filed this morning -- that on a monthly basis  
4 it will be one-quarter of their arrearages up to \$375? If  
5 they pay for three months, forgiveness level is one-quarter  
6 of their arrearages?

7 A. Is the lesser of one-quarter or \$375 every  
8 quarter.

9 Q. What is the cost of Laclede's weatherization  
10 program currently?

11 A. I know the -- I know the program is funded  
12 with \$300,000.

13 Q. Through the rate case, right?

14 A. Through the rate case.

15 Q. If the Catch-Up/Keep-Up program is approved as  
16 submitted in Exhibit 13, what will be the cost?

17 A. Well, I -- I can speak to the funding. The  
18 funding would be \$600,000.

19 Q. Catch-Up/Keep-Up plan is \$600,000?

20 A. No. I'm sorry. I thought you were talking  
21 about the -- the new -- the --

22 Q. Weatherization?

23 A. -- expanded weatherization program.

24 Q. What's the cost of Catch-Up/Keep-Up average?

25 A. The cost of Catch-Up/Keep-Up. The -- the

1 monies that we are -- the maximum amount of monies that  
2 we would intend to use for the program would be \$6 million,  
3 of which \$300,000 would be devoted to third-party  
4 administrative-type costs that are identified in paragraph  
5 H3E, and another \$300,000 would be dedicated to the existing  
6 weatherization program. That leaves you \$5.4 million.

7 Q. Let's get back to your comment that this  
8 program's, if we could put it, indistinguishable from  
9 weatherization.

10 Currently are there weatherization programs  
11 that are funded with pipeline discounts?

12 A. I am not aware of any.

13 Q. Have you seen DNR's cost/benefit analysis of  
14 weatherization, Mr. Wyse testified as to -- have you read  
15 his testimony?

16 A. I'm not so sure I read Mr. Wyse's testimony  
17 closely, no.

18 Q. Are you aware that cost/benefit analyses have  
19 been done for weatherization programs?

20 A. I heard a lot of discussion about that  
21 yesterday.

22 Q. Have you done a cost/benefit analysis of  
23 Catch-Up/Keep-Up?

24 A. I personally have not done any cost/benefit  
25 analysis on it, but I would also add that I'm not so sure

1 that a cost/benefit analysis is really in this case  
2 necessarily important. This is something that we are --  
3 we're proposing that dollars be transferred from other  
4 ratepayers to -- people who can pay their bills to those  
5 who -- who have been unable to, because of their income,  
6 have been unable -- have been unable to pay their bills and  
7 have accumulated large arrearages.

8                   And as a result, in some sense there's really  
9 nothing that's too much different about that anyway. You  
10 know, these poor-pay customers have for many years -- or  
11 these low-income customers have for many years caused some  
12 of the bad debts, a good part of the bad debts we incur, and  
13 other customers have been required to help cover the cost of  
14 those bad debts.

15                   But this program would certainly produce some  
16 benefits, whether it's something that's -- that's easily  
17 captured by our -- any kind of traditional cost/benefit  
18 analysis, I'm not so sure. The idea is that we believe  
19 long-term there will be reduction in bad debts, bad debt  
20 expense and, in certain activities related to collection,  
21 disconnection, reconnection of customers, long-term benefits  
22 for all customers.

23                   To the extent this money -- to the extent this  
24 money goes -- doesn't accomplish those objectives, I'm not  
25 sure that the existing ratepayers are harmed.

1           Q.       Let's look at your answer a little bit,  
2 Mr. Cline. It seems to me that you just listed a number of  
3 the elements of a cost/benefit analysis, including what you  
4 would expect to be the reduction in bad debt for customers.  
5 But you just haven't run the numbers; is that correct?

6           A.       Well, I think we've already -- I think other  
7 Laclede witnesses have already testified to the fact that we  
8 have an estimate as to what we think the reduction in bad  
9 debts might be from this program. We -- we also believe  
10 there will be some reductions in costs associated with  
11 having to follow up with customers in terms of collection  
12 activities and disconnection and reconnection of service.

13                   There's no dollar study that I'm aware of that  
14 quantifies those, but I think the main point I'm trying to  
15 make is, I'm not so sure that those -- what -- what we're  
16 trying to do here, do those numbers necessarily need to be  
17 run? And you know, I don't see -- I don't see this being  
18 something that's as -- I don't see this having the same kind  
19 of quantification associated with it as, you know, the  
20 payoff associated with a -- the installation of additional  
21 roof insulation or something like that.

22                   It seems to be in a way that customers who  
23 truly need to receive assistance here to keep their gas  
24 connected to stop this recurring cycle, this is a way that  
25 we think hopefully customers will break out of this.



1                   And this is an experiment and, you know, we  
2 believe that in the long run, though, that there will be  
3 benefits that will accrue to all customers as a result of  
4 this, and not just those customers who were the -- who were  
5 the low-income customers who apparently have a difficult  
6 time affording gas service.

7                   And I'm just not so sure that this is all  
8 easily reduced to any kind of cost/benefit analysis. We can  
9 estimate things, and as you know, there have been some  
10 estimates, but nothing's been -- that I'm aware of there's  
11 no formal study that brings all that together that says,  
12 okay, because of this, because you've reached a certain -- a  
13 certain threshold, this program is a go.

14           Q.       How can you say to the Commission, then, that  
15 that program is just and reasonable?

16           A.       Because it's a program that is truly reaching  
17 out to assist those customers who -- at low income levels  
18 who have been unable to afford gas service. This hopefully  
19 will enable them to be able to pay their gas bills on a  
20 regular basis on a going-forward basis, and that has  
21 benefits for everyone involved.

22                   Those customers who benefited, they have --  
23 they're not -- you've heard others testify from Laclede they  
24 are not scraping money together -- not scraping money  
25 together or sacrifice other things in order to have gas

1 service.

2           Other customers are benefited, other Laclede  
3 customers are benefited because hopefully bad debts will go  
4 down and there will be less company expense associated with  
5 some of these activities. I think it's -- it's certainly a  
6 justifiable program and something the Commission should --  
7 should wholeheartedly endorse.

8           Q.       Would you agree with me that Laclede had the  
9 opportunity to include this program in its last rate case?

10          A.       Well, we're getting back into discussion we've  
11 had a little while ago, and certainly was even farther  
12 removed from it than others, but as we discussed, we filed  
13 our rate case back in January. At this time, this program  
14 was not -- was not in the works. It certainly wasn't to a  
15 point where we were ready to file it. This wasn't filed  
16 until July.

17               As you know, you were part of those  
18 discussions. This was -- was -- at one time it was -- there  
19 was some thinking that maybe there would be some sort of  
20 global-type settlement here where this could have been  
21 brought into the settlement as well with a rate case. That  
22 ultimately did not happen. And I think it comes as no  
23 surprise that we were going to continue to push this thing.

24               I think the Staff even recognizes, from what I  
25 can understand from their testimony, that this is something

1 that they expected would be brought -- would be continued to  
2 be pursued by Laclede.

3                   So the timing was different and we at one time  
4 had discussions going to try to -- to try to bring the two  
5 together, but as you know, it was a very difficult rate  
6 case, very difficult issues to deal with. And this just --  
7 this just couldn't be brought into the fold.

8                   But for that reason, and because of the  
9 benefits that it -- it has for -- for customers, and because  
10 of the unique funding associated with this program, we think  
11 it's -- it's certainly something that should be considered  
12 by the Commission.

13           Q.       So is your answer to the question yes?

14           A.       Yes. I think started with that.

15           Q.       You suggest that this program is very similar,  
16 I believe, to MGE's program. Do you know how MGE's program  
17 is funded?

18           A.       Would you please repeat your question,  
19 Ms. Shemwell?

20           Q.       Sure. I said, you suggest that this program  
21 is very similar to MGE's program. Do you know how MGE's  
22 program is funded?

23           A.       Where did I say that? Can you show me the  
24 line?

25           Q.       I think you start talking about MGE's program

1 at page 4 at 13.

2 A. Okay. Page 4, line 13.

3 Q. Yes. And you're comparing your program to  
4 MGE's and Ameren's cases.

5 A. In terms of weatherization, once again the  
6 point being that they have weatherization programs which  
7 were attempts to reach out to those customers who -- those  
8 low-income customers who needed some assistance. That's  
9 really the -- the extent of that comparison.

10 Q. Well, let's move on to page 5, line 7, if we  
11 could.

12 Starting at line 3, you ask the question, Do  
13 utilities have programs other than weatherization, and you  
14 say yes. And are these programs similar to the program, and  
15 then you go into MGE's ELIR.

16 A. Uh-huh.

17 Q. And you've attached a copy of that?

18 A. Right.

19 Q. So how is MGE's program funded?

20 A. I believe MGE's program is funded by an 8-cent  
21 per bill -- per residential bill surcharge, which not  
22 that -- that's how it's funded.

23 Q. Would you agree with me that it's part of the  
24 customer charge?

25 A. I would agree that it's a -- that it's a --

1 an -- in effect, a surcharge from what I understand about  
2 it.

3 Q. And is that how you're going to -- if the  
4 Commission approves this program, will you file a new ACA  
5 case with the Commission?

6 A. If the Commission would approve this program,  
7 would we file a new ACA case? Certainly that wasn't my  
8 expectation. I mean, I certainly would expect future ACA  
9 filings.

10 Q. Well, would you consider this, if the  
11 Commission approves it to be a surcharge and you described  
12 MGE's as a surcharge?

13 Would you similarly describe this 6 million as  
14 a surcharge?

15 A. No, I would not.

16 Q. So you would not show it separately on the  
17 customer's bill?

18 A. No. My recommendation would be that we would  
19 not, because we also did not show -- we do not show the --  
20 did not show these same types of dollars on the customer's  
21 bill when we had a gas supply incentive plan that included  
22 the same dollars. It was part of our overall ACA factor.

23 And, in fact, the -- the -- the ACA factor  
24 that's on file with the Commission I don't believe  
25 distinguishes between even what you might consider to be a

1 traditional ACA factor and anything that's incentive  
2 related.

3           So, I mean, there's no separation even on our  
4 filed tariff sheet, much less to have a separation on a --  
5 on a customer bill.

6           Q.       I believe you testified that this is not a  
7 rate increase. Will you agree with me on that?

8           A.       I testified to a belief this is not a rate  
9 increase. This is a -- what I would consider to be a -- a  
10 revenue-neutral change.

11          Q.       So will Laclede guarantee not to increase its  
12 PGA rates if the program is approved?

13          A.       Will Laclede guarantee not to increase its  
14 PGA rates? That is not true. We would increase at some  
15 point -- through the ACA factor our PGA rates would have to  
16 be increased, just like they were -- they were increased  
17 under the former incentive plan for the company's share of  
18 dollars that we were able to retain.

19                 But that doesn't mean that there is a rate  
20 increase overall. There's a rate increase to -- all  
21 customers' bills will go up due to the additional funds  
22 to -- to -- to the additional amounts needed to fund this  
23 program.

24                 However, at the same time, we are going to be  
25 reducing the bills of those low-income customers so that

1 there is -- there is really no overall increase on rates,  
2 other than any kind of consideration of the administrative  
3 costs or weatherization costs associated with this program.

4           In fact, we believe in the long run there will  
5 actually be a rate decrease.

6           Q.       So when will customers see that rate decrease?

7           A.       Customers will see a rate decrease -- would  
8 see their rates be lower, all other things being equal, when  
9 the company is per -- the next time the company has a change  
10 or the Commission approves a change in the company's non-gas  
11 rates.

12           As I mentioned before, maybe in a discussion  
13 with Mr. Micheel, and maybe Mr. Fallert discussed this as  
14 well earlier today, but there are other -- there are other  
15 costs that -- that change between rate cases, and it's at  
16 that time in a future rate case that those increases and  
17 decreases are all taken into consideration and -- and used  
18 in the determination of new rates on a going-forward basis.

19           Q.       So you're not guaranteeing a rate decrease for  
20 customers?

21           A.       I don't think -- certainly our expectation  
22 would be that for this one area of our company having to do  
23 with -- with bad debts, collection activities and that kind  
24 of thing, our expectation is that those costs should be  
25 reduced. But as we all know that there's a whole lot more

1 to the gas distribution business than that area.

2                   And there's other costs that probably  
3 undoubtedly will increase, and I think -- I don't know how  
4 you could -- anybody could say that -- could guarantee that  
5 down the road, next time Laclede's rates change, there be a  
6 rate reduction just because this program is approved.  
7 Certainly, this program would help to -- would help to keep  
8 those rates down.

9           Q.       Do you know of any low-income customer  
10 assistance programs that were originally approved outside of  
11 rate cases?

12          A.       Do I know of any low-income assistance  
13 programs approved outside of rate cases?

14          A.       Yes.

15          Q.       Give me a minute here. I can't say I'm  
16 reasonably familiar with any programs, customer assistance  
17 programs approved outside of a rate case, but I also -- you  
18 know, I'm just not aware of any myself.

19          Q.       Did you --

20          A.       Nor do I really think that's particularly  
21 relevant in this case, though, either.

22          Q.       Did you earlier testify as to the amount built  
23 into current rates for uncollectibles as 7.2; is that right?

24          A.       Can you repeat the question, please?

25          Q.       Did you earlier testify that the amount built



1 in the current rates for uncollectibles -- for bad debts is  
2 7.2 million?

3 A. No.

4 Q. Maybe that was Mr. Fallert.

5 Did Mr. Fallert, did you hear him?

6 A. I think he did talk about that, and he talked  
7 about another three quarters of a million dollars, I  
8 believe, on top of that.

9 Q. For the emergency cold weather rule; is that  
10 correct?

11 A. That's my recollection, yes.

12 Q. Mr. Cline, you stated earlier that this  
13 program is revenue neutral; is that correct?

14 A. It's revenue neutral from the standpoint that,  
15 even though we're going to be -- our overall rates are going  
16 to be increasing, we will be alleviating the bills of those  
17 low-income customers, we'll be forgiving those arrearages,  
18 such that in the -- and like I said, but for the \$600,000 of  
19 other money in connection with this \$6 million program, I  
20 don't believe there's a -- an overall -- ratepayers as a  
21 whole will -- will not see their bills increase as a result  
22 of this.

23 Q. I think Mr. Fallert indicated he expected  
24 about a \$3 million reduction in bad debt.

25 Would you agree with that number?

1           A.       I would defer to Mr. Fallert on that one. I'm  
2 sure if that's what he said, that's the company's best  
3 guess.

4           Q.       If you haven't done a cost/benefit analysis,  
5 then, to account for the other two-and-a-half million, how  
6 do you know it's going to be revenue neutral?

7           A.       It's only -- it's revenue neutral because we  
8 are -- even though we're going to be collecting -- let's  
9 just say, even though we're going to be collecting an  
10 additional \$6 million in -- and overall -- overall rates are  
11 going to be increased by \$6 million, other bills could  
12 conceivably be reduced by as much as \$5.4 million. To the  
13 extent they're -- to the extent they're not, to the extent  
14 that there's -- well, I should say it like this.

15                   The customers -- if we have customers who are  
16 willing to participate in the program and they -- we forgive  
17 their arrears and there's \$5.4 million of arrears there to  
18 forgive, that's a -- that to me is a revenue neutral  
19 decrease and has nothing at all to do with the fact that bad  
20 debts are only going to be reduced by \$2 to \$3 million.

21                   That's -- that's a different phenomenon  
22 altogether, and that's just -- our only point there was to  
23 that say that don't expect that just because we've collected  
24 an additional \$6 million from customers, that down the road  
25 there's going to be a \$6 million reduction in bad debt

1 expense, because we don't think we're going to see that --  
2 those kind of dollars, for the reason Mr. Fallert explained.  
3           But there will be a bad debt -- you know, we  
4 expect there will some bad debt reduction on a going-forward  
5 basis, not to the tune of \$6 million or \$5.4 million, but --  
6 but something. And probably -- and as Mr. Fallert  
7 indicated, it will probably be in the range of -- what we're  
8 suggesting is that there -- we think that this -- if this  
9 turns out the way we would expect, that there will be a -- a  
10 \$3 million -- could be a \$3 million reduction in bad debt  
11 expense going for-- going forward.

12           Q.       Will you agree with me that your program is  
13 dependant on changing customer behavior?

14           A.       Certainly our expectation is that if we can  
15 relieve these low-income customers of theirs -- of this  
16 arrearage burden they have, their payment behavior, their  
17 payment practices, hopefully, will -- they hopefully will be  
18 induced to become better-paying customers. And that's to  
19 the benefit of everybody.

20           Q.       Can you explain how you expect them to be able  
21 to pay their monthly bill when Laclede's rates have gone  
22 up, I think the figure we settled on yesterday was something  
23 in the \$29 million range in the last two years?

24           A.       Well, it is -- unfortunately, you know, just  
25 because there are low-income customers out there who have

1 trouble paying their bills doesn't mean that the company as  
2 a viable -- as a viable distribution company cannot increase  
3 its rates. Unfortunately, we need to do that to have a -- a  
4 reliable distribution system to serve our customers.

5                   That's just the cold, hard reality. But I  
6 think the other thing you have to recognize, that this rate  
7 problem is not just a -- this inability of customers to pay  
8 for gas is not just a -- is not just a Laclede distribution  
9 problem. It's also -- we also have to deal with the cost of  
10 gas itself. And that's -- that's certainly a factor as  
11 well. And the -- and the additional dollars Laclede had to  
12 ask for from customers in the last couple years, in my mind,  
13 isn't the -- isn't the --

14           Q.       Mr. Cline, let me interrupt just a second.  
15 I'm not saying that Staff didn't agree that those increases  
16 were just and reasonable, because we did. We signed  
17 stipulations and agreements. I'm just saying that customers  
18 who historically have had problems paying their bills have  
19 seen that rate increase as well?

20           A.       Sure they have.

21           Q.       So that their rates have gone up in the last  
22 two years, and --

23           A.       Right.

24           Q.       -- I'm questioning, really, how this program  
25 is going to help them address that outside the arrearage

1 forgiveness issue?

2           A.       Well, I certainly don't see how this program  
3 can hurt. I mean, I think without this program it's -- I  
4 don't see how -- certainly these pro-- these customers would  
5 be better off with these dollars than without them. And it  
6 would make it more possible for them to pay their future gas  
7 bills and for -- than if they didn't have these dollars.

8           If they -- for them to get gas service they're  
9 required to -- to build in their arrearages into their  
10 future payments over a 12-month-average basis. That  
11 arrearage just can knock them out, basically. And -- and if  
12 we can take care of that, they may be able to afford --  
13 hopefully will be able to afford gas service from Laclede  
14 even with Laclede's most recent rate increases.

15           But certainly, you know, they are in a better  
16 position to pay those gas bills than if they hadn't have  
17 those arrearages taken care of.

18           Q.       Have you considered what will happen to the  
19 customer who can't make those first three payments?

20           A.       What would happen to those customers if they  
21 can't make those first three payments?

22           Q.       Yes.

23           A.       Other than the fact that their arrearages will  
24 not have been forgiven?

25           Q.       Yes.

1           A.       And how -- I know they become -- they will not  
2 become eligible for the program. They're basically not in  
3 the program anymore. I mean, they -- they fall back into  
4 that category of -- of the type of customer we're dealing  
5 with today. You know, we're trying to -- trying to -- to  
6 take care of those problems. I don't have an answer for you  
7 there. It's just no -- once again, it's not -- it's not in  
8 the realm of what I do at Laclede.

9                   But I -- certainly I don't think we expect to  
10 take care of all our low-income customers. There's still  
11 going to be some problems.

12          Q.       Do you have an estimate of the number that  
13 will benefit from this program?

14          A.       I do not.

15          Q.       I'd like to turn to a little different subject  
16 now. If we could look at -- actually, my question was based  
17 on the old tariff, not the new tariff, because I just saw it  
18 this morning. But let me ask about the tariff.

19          A.       The new tariff?

20          Q.       I guess the new tariff.

21          A.       Okay.

22          Q.       We'll see how that goes.

23                   Does the language concerning pipeline  
24 discounts have any language that allows or disallows Laclede  
25 from using capacity release to determine discount savings?

1           A.       I'm not sure I understand what you mean by  
2 that.

3           Q.       Can you use capacity release to determine  
4 discount savings?

5           A.       I don't -- I don't -- I don't bring the two of  
6 those together in my mind anyway. I mean, I'm trying to  
7 figure out what the connection is between capacity release  
8 and discount savings that you're referring to. I mean, in  
9 our former -- in our original gas supply incentive plan, we  
10 had -- you know, we had a capacity release component. We  
11 had a transportation discount component.

12                   I'm just not sure I understand your question  
13 yet.

14           Q.       Is the capacity release component in this  
15 tariff that was in the old?

16           A.       There's no capacity release component in this  
17 tariff. Capacity release revenues are -- are covered by  
18 our -- considered in the determination of gas rates in our  
19 general rate cases.

20           Q.       I think you may have touched on this earlier,  
21 but I'm not positive so I'll ask.

22                   Does Laclede's tariff language as proposed  
23 authorize it to use bundled sales agreements to determine  
24 discount savings?

25           A.       Does our reference to pipeline discounts

1 permit us to use bundled sales arrangements to make -- to  
2 determine transportation discounts?

3 Q. That's my question exactly.

4 A. It -- it doesn't speak to that. I would  
5 certainly -- would contend that if there is a transportation  
6 discount that's bundled within a sales or supply agreement,  
7 that that should be considered. It was considered as a part  
8 of a -- as a part of our original gas supply incentive plan.

9 Q. You and Mr. Micheel had a fairly lengthy  
10 discussion about current pipeline discounts. Can you say --  
11 I don't think this will be HC.

12 Can you say a percentage of those that  
13 continue past 2003?

14 A. On a dollar basis, I would not -- you know,  
15 given enough time, I could come up with a number like that,  
16 but right here as we speak, no. I don't -- I don't keep  
17 track on a routine basis of the status of all of our  
18 transportation contracts. I get that information as I need  
19 to get it for purchase gas adjustment filings or whatever it  
20 might be, but I don't have that number.

21 It certainly could be quantified.

22 Q. Do you have an estimate, then?

23 A. I do -- I do not. I do know this, that  
24 there's going to be -- as I mentioned before, there's going  
25 to be a good chunk of these transportation contracts



1 renegotiated over the next -- in the near term.

2                   And what that means in terms of what we'll be  
3 able to do, I don't know, but I certainly know this: If we  
4 have a program like this in place, the Commission can be  
5 assured that, you know, the company will do its best to make  
6 sure that those transportation discounts are maximized.

7           Q.       And will you do that with or without an  
8 incentive to do so?

9           A.       This question's been, you know, raised many  
10 times in the past. I think you kind of get to the whole --  
11 whole, you know, philosophy behind incentives, but, you  
12 know, I guess I kind of thought we were past that, based on  
13 some of the discussions, based on the results of the natural  
14 gas commodity price task force.

15                   You know, I think there's a clear, clear  
16 indication in there that, you know, incentives make sense.  
17 And so I think they are appropriate. I also think, though,  
18 that, sure, the company's -- if there were no incentives, it  
19 doesn't mean the company's going to just sit back and not be  
20 aggressive at all. Certainly incentives help.

21                   I think also incentives will make sure that  
22 you take a lot of the guessing game out of the -- out of  
23 the -- maybe the Staff or anybody would have to -- otherwise  
24 would have to engage in to make sure the company was really  
25 aggressive enough in negotiating with the pipeline company

1 to get discounts. That's a pretty hard process to second  
2 guess. And if you have incentive there, I think you know  
3 the company's out there going to do its best.

4 Q. Mr. Cline, regardless of the issue of whether  
5 or not Laclede has or ever would engage in such practices,  
6 would you agree with me that incentive plans do create  
7 perverse incentives?

8 A. Would I agree with you that incentive plans do  
9 create perverse incentives? I'm not -- I'm not --

10 Q. Perhaps I --

11 A. You'll have to give me some examples.

12 I've heard that -- once again, I've heard that  
13 raised in the past by Staff and others. I just don't agree  
14 it's happened to Laclede. I think ours has been properly  
15 structured. I think we've tried to address -- tried to  
16 address those concerns as they've been raised. And I think  
17 we've adequately addressed them.

18 Q. I'm just suggesting that with most plans there  
19 are some unintended consequences overall, you know, in  
20 general. And one of the examples that I understand with  
21 incentive mechanisms is the company can -- a company can --  
22 any company could try to continue to increase FERC max rates  
23 to show a discount, and that that is one of the potential  
24 perverse incentives of incentive mechanisms.

25 A. I don't know how -- I mean, that would be a

1 very awkward thing to do as an LDC. I can't imagine us  
2 going into a new pipeline rate case and somehow be, you  
3 know --

4 Q. Let me -- let me stop you. I wasn't asking if  
5 Laclede would ever engage in that. I thought I made that  
6 clear. I was just saying is one of the effects of incentive  
7 plans to create some perverse incentives?

8 A. I don't think -- I think that assumes some,  
9 you know, unethical behavior from the start. I just don't  
10 think we would go there.

11 Q. I'm not -- I'm not making that assumption at  
12 all. I'm just saying it does create those situations, but  
13 if you don't have an answer, then you certainly are welcome  
14 to say that.

15 A. I'm not -- I don't want to agree to any -- any  
16 suggestion that there's perverse incentives created by these  
17 incentive plans, especially when there's some -- when  
18 there's some implication that a company might be out there  
19 trying to increase maximum FERC rates.

20 I just don't think that's --

21 Q. Again, I was not making any --

22 A. But you referred to that example. I just  
23 don't think that's something that we need to deal with.

24 Q. Okay. As the person who administers Laclede's  
25 tariffs, are you familiar with the term "gas costs" as it is

1 used in Laclede's PGA tariff clause?

2 A. Yes.

3 Q. And can you please define that for us?

4 A. Gas costs?

5 Q. Yes.

6 A. Yeah. I guess I'll just -- rather than go  
7 from memory, I'll go right to the tariff sheet. I'm sure  
8 that the Staff has that as well.

9 One place where we identify, where we define  
10 gas costs in our tariff is on Sheet No. 15. The cost of  
11 purchased gas shall include, but not be limited to, all  
12 charges incurred for gas supply pipeline transmission and  
13 gathering and contract storage, and --

14 Q. Thank you.

15 You discussed Missouri Pipeline Company  
16 earlier, and I think you indicated you were paying FERC max  
17 rates.

18 Is Laclede captive; in other words, you have  
19 no alternative to Missouri Pipeline Company?

20 MR. ZUCKER: Excuse me. Objection. This  
21 discussion had been an in-camera discussion.

22 MS. SHEMWELL: I'm sorry.

23 MR. ZUCKER: If we're going to talk about  
24 this, I guess we should go in-camera again.

25 JUDGE RUTH: Do you want to continue this line

1 of questioning?

2                   If so, we'll --

3                   MS. SHEMWELL: It'll be brief, but yes.

4                   JUDGE RUTH: Then I need anyone who's not  
5 entitled to stay during the in-camera session to please  
6 leave. I'll have the attorneys to please help me check that  
7 we've cleared the courtroom as necessary while I go ahead  
8 and put this computer on.

9                   (REPORTER'S NOTE: At this point, an in-camera  
10 session was held, which is contained in volume 5, pages 385  
11 through 386 of the transcript.)

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1 JUDGE RUTH: We're back in open session.

2 MS. SHEMWELL: That's all I have. Thank you,

3 Mr. Cline.

4 JUDGE RUTH: Okay. It seems that the

5 Commissioners are still in agenda, so I suggest we allow

6 this witness to step down.

7 We'll recall you later this afternoon, and

8 we'll move along, and at least start with Public Counsel's

9 witness before lunch.

10 When you're ready, Public Counsel, call your

11 witness.

12 (OFF THE RECORD.)

13 JUDGE RUTH: Mr. Coffman, let me swear your

14 witness in first. Thanks.

15 (Witness sworn.)

16 JUDGE RUTH: You may proceed.

17 BARBARA MEISENHEIMER testified as follows:

18 DIRECT EXAMINATION BY MR. COFFMAN:

19 Q. Good morning, Ms. Meisenheimer.

20 A. Good morning.

21 Q. Please state your full name and position.

22 A. My name is Barbara Meisenheimer. I am chief

23 economist in telecommunications with the Missouri Office of

24 the Public Counsel.

25 Q. Are you the same Ms. Meisenheimer that has

1 been caused to be filed in this case the direct testimony  
2 that has been marked as Exhibit 4?

3 A. Yes, I am.

4 Q. Do you need to make any corrections to the  
5 testimony as it has been prefiled?

6 A. No.

7 Q. Okay. If I ask you today the same questions  
8 contained in Exhibit 4 today, would your answers be the  
9 same?

10 A. Yes, they would.

11 Q. And true and correct to the best of your  
12 information and belief?

13 A. Yes, they are.

14 Q. Great. I just have a couple of questions that  
15 might be considered rebuttal in nature, and mostly in the  
16 clarifying manner.

17 Are you in possession of the specimen tariffs  
18 that were supplied today by Laclede Gas Company and labeled  
19 as Exhibit 13?

20 A. Yes, I have a copy.

21 Q. Okay. Have you reviewed the changes that are  
22 marked there and underlined in strikeout fashion?

23 A. Yes, I have.

24 Q. Would you please go with me through the  
25 bullet-pointed revisions that were agreed upon by Laclede

1 Gas Company in its position statements and track with me  
2 whether or not those are reflected in Exhibit 13 specimen  
3 tariffs.

4           Let's simply begin with the first bullet point  
5 on page 4 of Laclede's position statements referring to a  
6 specific termination date. Has that been reflected in the  
7 specimen tariffs?

8           A.       It is, in my opinion, not fully clear that the  
9 company has agreed to a specific termination date within the  
10 context of the tariff.

11          Q.       Okay.

12          A.       And I would direct --

13          Q.       Please explain.

14          A.       -- you to PSC Mo. No. 5 consolidated original  
15 sheet No. 28-k, part H6, terms of program that the company  
16 has included.

17               While they do recognize certain dates, they  
18 indicate that prior to termination any party, including the  
19 company, may seek an extension of the program. That does  
20 not say a reestablishment of the program.

21          Q.       Okay.

22          A.       And I believe there is another --

23          Q.       And simply for clarification, your  
24 recommendation -- if a program of this sort is approved,  
25 what termination date would you recommend?



1           A.       I believe that I recommended that the program  
2 should end on March 31st of 2005, accepting applications,  
3 and that payment should end on September 30th of 2005.

4           Q.       And is the general intent of that  
5 recommendation that the program will be terminated and  
6 reevaluated in the context of the next opportunity to review  
7 Laclede's general non-gas rates?

8           A.       Yes, it is.

9           Q.       Okay. Let's move to the next bullet point,  
10 the agreement to revise the proposal that dealt with  
11 administrative costs. Is that reflected in Exhibit 13?

12          A.       First, I'd like to point out that within  
13 the company's position statement I feel that's a  
14 mischaracterization of our testimony. We did not limit  
15 administrative costs to 5 percent.

16                   Instead, what we said is 5 percent and above  
17 that a plan should be submitted that justifies the  
18 additional cost needed for the program. The company within  
19 preparing this new tariff sheet has, I guess, adopted a cap  
20 of 5 percent.

21          Q.       Let's proceed to the next bullet point, which  
22 begins on page 5, where Laclede stated in its position  
23 statement that it does not object to Public Counsel's  
24 proposal that the arrearage reduction per quarter be equal  
25 to the lesser of one-fourth of the customers arrearages or

1 \$375.

2                   Is that revision reflected in -- in the same  
3 way in Exhibit 13?

4           A.       I do not believe that it is on PSC Mo. No. 5  
5 consolidated original sheet No. 28-i. In part H(b), the  
6 language with the inclusion of the word "or" seems to allow  
7 for a choice, and I do not believe that's an adequate  
8 reflection of our recommendation.

9                   I think that it would be appropriate to delete  
10 the words "not exceed" and insert instead the word "be", and  
11 that would address the concern that I have about that  
12 language.

13          Q.       Okay. The next bullet point that Laclede made  
14 in its position statement states that they would not object  
15 to Public Counsel's proposal to add back language dealing  
16 with recognition of reductions in uncollectible expense.

17                   How is that reflected in Exhibit 13? And do  
18 you have any problems with the way that that was included in  
19 the specimen tariffs labeled Exhibit 13?

20          A.       There is some language included in the new  
21 tariff, PSC Mo. 5 consolidated original sheet 2, Part H(h),  
22 it appears that the company has included this language.

23          Q.       Are you referring to the paragraph that  
24 states, To the extent that the program results in a  
25 reduction in uncollectible expense, paren, and the program

1 is ongoing or reestablished, end paren, the reduction should  
2 be reflected in the company's cost of service and rate  
3 recovery?

4           A.       Yes. I'm concerned about the term "ongoing"  
5 being included in their language. In part G above, I also  
6 believe that the word "and" should be removed. The second  
7 word in part G, which is the word "and", should be removed.

8           MS. SHEMWELL: Excuse me. May I? Could you  
9 use your microphone please. I don't know if it's on or not.  
10           Could you tell me just where you are? I've  
11 gotten lost in this.

12           MR. COFFMAN: I believe the last comment the  
13 witness was referring to the first paragraph of the last  
14 page of Exhibit 13, suggesting that -- okay.

15 BY MR. COFFMAN:

16           Q.       And, Ms. Meisenheimer, please explain your  
17 concern with the next paragraph there, paragraph lower  
18 case H, and your concern with the word "ongoing," what  
19 problem that creates.

20           A.       I believe that that adds to the perception  
21 that there will not be a specific termination date at which  
22 time this company -- or this program is evaluated to  
23 determine its benefit, to see if it should be reestablished.

24           I think that the clear and set termination  
25 date creates an improved incentive for the value of this

1 program to be evaluated, monitored and demonstrated before  
2 the program is allowed to be reestablished.

3 Q. Does it also create any question about whether  
4 ratepayers would receive the benefit of a reduction in  
5 uncollectible expense?

6 A. I believe that by simply including the term  
7 "established" instead of the term "ongoing" or  
8 "reestablished," there's a clear statement that any benefit  
9 associated with reduced uncollectibles will be incorporated.  
10 So I believe that that strengthens the assurance that the  
11 entire customer base would eventually benefit from  
12 uncollectible reduction.

13 Q. Let's move on to the next bullet point. Is  
14 there any concern with which -- the way in which Laclede  
15 has --

16 MR. PENDERGAST: Excuse me if I could. I  
17 don't mean to interrupt, but just by way of clarification,  
18 before Ms. Shemwell asked something, I think Mr. Coffman had  
19 said something about G, and I believe Ms. Meisenheimer said  
20 something about that, but I didn't quite catch what it was.

21 MR. COFFMAN: For clarification,  
22 Ms. Meisenheimer, would you --

23 THE WITNESS: I would simply omit the word  
24 "and," which is the second word.

25 MR. PENDERGAST: Thank you. Sorry.

1 BY MR. COFFMAN:

2 Q. Okay. Ms. Meisenheimer, is there any other  
3 concern that you have with the changes made in Exhibit 13,  
4 the specimen tariffs, as they relate to statements that  
5 Laclede has made in its position statement?

6 And I'm just asking whether you -- I'm not  
7 asking whether you agree that this is an acceptable program,  
8 but whether there are some wording concerns that you have in  
9 the way certain concessions or revisions might have been  
10 translated into tariff language?

11 A. I mean, we certainly still have concerns about  
12 the tariff and disagreement with the tariff. It does not  
13 address all of our concerns.

14 In terms of what the company has agreed at  
15 least thus far to do, I believe that takes care of it.

16 Q. And perhaps I should ask a question -- a  
17 clarifying question, and I'm not asking for you to expound  
18 at great length, but just for clarification to point out  
19 what you believe are still the major concerns that you have  
20 with the program as it would now stand in this revised  
21 proposal as Exhibit 13?

22 A. We still have a disagreement regarding the  
23 term of the tariff, how long it would be in place in the  
24 event that the Commission determined that it wanted to move  
25 forward with some type of arrearage program.

1                   The company is still seeking the plan to be in  
2 effect beyond the next rate case. We disagree with that.  
3 We still disagree regarding the threshold for support to be  
4 provided under the program. The company is seeking, I  
5 believe, currently 150 percent in the first year and perhaps  
6 more up to 175 percent in the second year.

7                   We don't believe that there is sufficient  
8 justification for those levels. So there's an issue with  
9 that that remains.

10                  The company has not agreed to provide in  
11 advance even -- or they have not agreed to provide contracts  
12 in advance that would be subject to review and formal  
13 approval under the traditional time frame, I think, by the  
14 Commission. So we have an area of disagreement there.

15                  I don't think that there's anything in the  
16 tariff that sufficiently, in my mind, spells out what the  
17 terms of such contracts would be, and so that leaves many  
18 questions open.

19           Q.       You began saying that there's still a large  
20 difference with regard to the scope of the program. And  
21 with regard to scope you mentioned the length of duration  
22 for the plan.

23                  Is there not also a large difference with  
24 regard to the scope and the cost or the size of the dollars  
25 that would be involved?

1           A.       Absolutely.  There's a substantial difference  
2 in the overall funding level for the program and the level  
3 at which the thresholds would be established.

4           Q.       Let me ask you --

5           A.       The company's still seeking, I believe,  
6 \$6 million for the program.  In the event that the  
7 Commission decided to move forward, we said that we would  
8 not object to a program that was something more along the  
9 lines of arrearage reductions of 2-and-a-half million,  
10 the 5 percent, which would be administrative cost, and  
11 300 -- up to 300,000 for weatherization.

12                    So in total we were looking at something more  
13 like half of what the company was interested in.

14          Q.       Just one more question, and this relates to  
15 the level of support.

16                    I think you were referring to the eligibility  
17 threshold and what percent of the federal poverty guideline  
18 level would be an eligibility cap.  If the Commission were  
19 to approve a program along the lines that Laclede Gas  
20 Company is proposing and 150 percent and/or 175 percent of  
21 federal poverty level was adopted, would there be additional  
22 data that you would recommend would need to be tracked in  
23 that regard?

24          A.       Certainly.  The proposal that was included in  
25 my testimony in the event the Commission wanted to move

1 forward was developed around a maximum level of, I believe,  
2 125 percent of the poverty level, and so we would ask for  
3 data for 100 percent and below, and 125 percent and below of  
4 poverty level, so that the progress could be monitored.

5           We would request that information also be  
6 provided for either 150 -- or 150 and 175, depending on what  
7 the Commission might ultimately approve in terms of the  
8 thresholds. So we would like them to be matching.

9           Q.       Would that additional data simply be included  
10 as a revision to the next-to-the-last page of Exhibit 13,  
11 where certain additional data would be supplied at  
12 100 percent and 125 percent of the federal poverty level?

13          A.       Yes.

14          Q.       You're suggesting that there would be  
15 revisions that would include whatever level the Commission  
16 might approve, be that 150 or 175 percent?

17          A.       If the Commission adopts 150, then we would  
18 ask for the addition -- the additional piece of 150. If the  
19 Commission approves fully what Laclede is looking for with  
20 the second year potentially including up to 175, then we  
21 would want tracking of all the increments at 100 percent,  
22 plus increments of 25 percent over the poverty level.

23          Q.       And I just think there may be one more thing  
24 that we need to clarify.

25                 You mentioned that there's still a difference



1 in that we believe or that the Office of the Public Counsel  
2 is recommending that if any program of this sort is  
3 approved, that the contracts with the agencies that would be  
4 determining eligibility and implementing the program, that  
5 those contracts with Laclede be approved with the Commission  
6 before implementation.

7                   Why is that important for those details to be  
8 reviewed by the Commission?

9           A.       I think that there are a number of reasons  
10 that it is important for that information to be detailed and  
11 approved by the Commission in advance.

12                   No. 1, I have a concern about -- well, what  
13 happens if the Commission approves a program before the  
14 contract is established and effective? Then does ultimately  
15 there end up being a big pot of money sitting around that  
16 has been given to Laclede that is not -- that the mechanics  
17 are not there that that would be passed on, then, for the  
18 intended purpose? That's a significant concern.

19                   Another concern is that the Commission has no  
20 information before it. We do not have information before us  
21 that tells us what are the exact terms. By what mechanisms  
22 are eligibility going to be determined, for example, in the  
23 event that there is insufficient funding to match the total  
24 need?

25                   I would hope that contracts would tell us more

1 things like that. What will be the obligations? What new  
2 obligation would Laclede be assuming? I just think that  
3 there's a lot of detail that we would prefer to see in  
4 advance, and that is, in particular, with this company where  
5 there has recently been a concern that what was understood  
6 is not necessarily the same thing, once the parties -- what  
7 a party unders-- believed that they were agreeing to is not  
8 necessarily what they found out that perhaps they'd agreed  
9 to at a later point, once it was put on paper.

10 Q. And when you say that these contracts should  
11 be approved in advance, are you saying that they should be  
12 reviewed by the Commission before it makes any final  
13 decision about whether to adopt a program or not in this  
14 case?

15 A. To adopt or implement, yes.

16 MR. COFFMAN: I believe that covers any  
17 rebuttal-type questions, and I would offer Ms. Meisenheimer  
18 for cross-examination and offer Exhibit 4 into the record.

19 JUDGE RUTH: Let's address Exhibit 4, first of  
20 all, Ms. Meisenheimer's direct testimony. Are there any  
21 objections to it being received into the record?

22 (No response.)

23 JUDGE RUTH: Seeing no objections, Exhibit 4  
24 is received.

25 (EXHIBIT NO. 4 WAS RECEIVED INTO EVIDENCE.)

1 JUDGE RUTH: We are going to take a break for  
2 lunch. When we come back, I expect we -- if the  
3 Commissioners are available, we'll actually recall Mr. Cline  
4 first, and then we'll come back to you, Ms. Meisenheimer.

5 THE WITNESS: That's fine. I'm available.

6 JUDGE RUTH: If we come back at ten after one,  
7 is that adequate for the parties, or do you need a little  
8 bit more time?

9 (No response.)

10 JUDGE RUTH: Ten after one seems to be fine.  
11 That's when we'll come back.

12 We're off the record now. Thanks.

13 (A BREAK WAS TAKEN.)

14 JUDGE RUTH: We are back from our lunch break,  
15 and we're going to recall Mr. Cline, Laclede's witness.

16 MR. ZUCKER: He's here. He'll be up in a  
17 minute.

18 JUDGE RUTH: Mr. Cline, you are still under  
19 oath.

20 Questions from the Bench, Commissioner Murray?

21 COMMISSIONER MURRAY: Thank you.

22 MICHAEL T. CLINE testified as follows:

23 QUESTIONS BY COMMISSIONER MURRAY:

24 Q. Good afternoon, Mr. Cline.

25 A. Good afternoon.

1           Q.       I don't have a lot of questions for you, but I  
2 do have a few.

3                   And primarily I would like to ask you about  
4 Laclede's GSIP program that it used to have and how this  
5 program that is being proposed here differs from it.

6           A.       This program differs in that, under the former  
7 gas supply incentive plan that we had, one component of that  
8 program had to do with transportation discounts. And under  
9 that component, to the extent that we could realize some  
10 transportation savings by negotiating discounts with our  
11 pipeline suppliers, we were entitled to retain a portion of  
12 those savings, and by retaining meaning that those dollars  
13 would benefit Laclede's earnings.

14                   This -- and that program obviously gave us a  
15 very strong incentive to make sure that we vigorously  
16 negotiated with our pipeline suppliers to reduce those gas  
17 costs for the benefit of all of our customers.

18                   This provision within the Catch-Up/Keep-Up  
19 program we believe makes a lot of sense because it still  
20 gives -- the discount provision still gives Laclede an  
21 incentive to continue to negotiate vigorously with our  
22 pipeline suppliers.

23                   However, one big difference is that we no  
24 longer will retain any direct benefits from the -- the  
25 discounts we negotiate. Instead, these monies that were

1 formerly flowed through or brought to our bottom line will  
2 now be used to fund the forgiveness of arrearages for our  
3 low-income customers.

4 Q. And the discount that Laclede was able to get  
5 during the term of the GSIP when it was in force, are those  
6 contracts still in existence, or the terms of those, what  
7 are they or were they?

8 A. Some of those contracts that -- under which we  
9 previously retained a portion of savings for our own profit,  
10 some of those contracts are still in effect. However, some  
11 of them have been already terminated or just recently  
12 terminated and some are on the verge of being terminated, as  
13 we discussed here earlier this morning. I know several of  
14 these contracts will be renegotiated within the next year  
15 and, you know, at this point we really, you know, don't know  
16 whether we'll be able to maintain that level of discounts or  
17 not.

18 Q. Now, assuming this program is not -- or  
19 this proposal is not approved, how will Laclede behave  
20 differently in terms of seeking discounts, or will it?

21 A. I don't really know that Laclede will behave  
22 differently. I -- I think that we certainly are not going  
23 to be in a position of taking our responsibility with  
24 respect to trying to provide service at the lower cost to  
25 our customers, we're not going to take that responsibility

1 any differently. We're still going to vigorously negotiate  
2 with the pipeline providers.

3 I think, though, that certainly it makes a  
4 lot of sense and I think it's been -- it's been a common  
5 conclusion that came out of the Commission's Natural Gas  
6 Price Commodity Task Force here within the last couple years  
7 that incentives do work. They assure that the company is  
8 out there, you know, striving to get the best -- the best  
9 deal.

10 And I think to some extent, too, it can or  
11 should cut down on prudence reviews that would otherwise be  
12 undertaken by the -- by parties, the Staff of the  
13 Commission, to assure that we're doing the best we can out  
14 there, because if you have an incentive there, the Staff  
15 should know, the Commission should know that the company is,  
16 in fact, out there doing the best job it can.

17 If the company has incentives and can share in  
18 the rewards, it will -- you can be sure the company is out  
19 there trying to strike the best deal.

20 Q. And are you claiming that the incentive of  
21 reducing bad debts to the extent that you say this proposal  
22 would do it, is the incentive needed here to accomplish the  
23 less prudence review and that type of thing?

24 A. This -- the way we have structured this  
25 program, even though we will not be able to retain directly

1 any monies associated with the negotiation of these  
2 transportation discounts, to the extent that we can reduce  
3 our bad debts between rate cases, like we do -- like we  
4 strive to reduce any other kind of costs between rate cases,  
5 either to offset other increases in costs or whatever, that  
6 does give us the motivation incentive to get that done.

7                   And -- and we're suggesting that those --  
8 those discount dollars, rather than being flowed through  
9 directly to the bottom line, can go to the forgiveness of  
10 these arrearages. All ratepayers benefit by us striving to  
11 negotiate as hard as we can with our pipeline suppliers. At  
12 the same time you've reduced these -- you've -- hopefully in  
13 the long run have lowered -- have lowered your bad debt for  
14 all your -- all your -- all your customers so that rates in  
15 the long run can be lower for all customers.

16           Q.       And is a part of that incentive the fact that  
17 there would be that regulatory lag in which Laclede's bottom  
18 line would benefit from reduction of cost of service?

19           A.       Yes, that is the incentive, and we have that  
20 incentive like with any other kind of cost that we would  
21 strive to reduce between rate cases, be-- because there are  
22 other costs that increase between rate cases, where  
23 regulatory lag actually is primarily detrimental to the  
24 company.

25                   And so we -- you know, we like to take

1 whatever opportunity we can to -- through a program like  
2 this or any other kind of cost reductions attempt to offset  
3 some of these cost increases we're seeing in other areas.

4       Q.       In terms of the PGA/ACA process, I'm having  
5 trouble understanding how we could include costs that are  
6 not actually incurred, because I thought the PGA process was  
7 to recognize only the prudently incurred gas costs. And if  
8 you're talking about either cost that was not a gas cost or  
9 a gas cost that was not actually incurred, how can that be  
10 included in the PGA/ACA process?

11       A.       I think my best response to that is that  
12 it -- kind of getting back to a point we talked about just a  
13 little while ago is, it's under the gas supply incentive  
14 plan we had originally -- the Commission originally approved  
15 dating back to October 1st, 1996. These discounts, our  
16 share of discounts, I guess you could argue, were not gas  
17 costs, were -- were -- to the extent they went to our bottom  
18 line, but they were recoverable through the PGA cost. That  
19 was certainly the means by which we had the incentive plan  
20 operating at that time.

21               I think there's also some -- certainly some --  
22 even though certainly some connection to gas costs,  
23 obviously there has to be because we're using the purchased  
24 gas adjustment clause to do this, but would it not be for us  
25 going out there and -- and striking these kinds of deals and



1 lowering -- and getting these discounts, the discounts  
2 weren't there, those -- those -- that would mean increased  
3 costs, increased gas costs to our suppliers and recovery  
4 through the purchased gas adjustment clause.

5           So the -- but the -- the real point is that  
6 all we're doing now is taking monies which we formerly were  
7 able to flow through our purchased gas adjustment clause and  
8 retain as profit, we're now suggesting that those dollars be  
9 dedicated towards this arrearage forgiveness.

10          Q.       So in terms of its being flowed through or not  
11 being flowed through the PGA process, you're saying that  
12 both -- they both operated pretty much the same?

13          A.       That's correct. And it has not just been for  
14 Laclede. It's been for the other -- for Missouri Gas  
15 Energy, as well as Ameren has had similar types of programs,  
16 and I believe they operated the same way.

17          Q.       Do you know if the Commission can disallow  
18 certain transportation and storage costs that fall within a  
19 maximum rate that's been approved by FERC for a particular  
20 pipeline, disallow it based on previously?

21          A.       My position would be that certainly the  
22 Commission would be in a position through a Staff prudence  
23 review to approve a disallowance of some costs that were  
24 related to a -- the payment of dollars to a FERC-regulated  
25 pipeline that -- if that -- it could be that -- it could be

1 that the Staff of the Commission or someone believed that  
2 that contract we -- that an LDC had entered into with a  
3 pipeline was inappropriate. And for that reason I would  
4 think that certainly that would fall within the scope of the  
5 review, legitimate review of the Staff of the Commission to  
6 exclude those costs.

7           I know that, you know, I would suggest that  
8 if, though -- that if there were a case where the company  
9 was attempting to flow through its purchased gas adjustment  
10 clause rates that were approved by the Federal Energy  
11 Regulatory Commission, and for whatever reason the  
12 Commission just thought those rates were too high, that's  
13 where I think -- I think I'd have a little bit of a problem  
14 with that, because they were FERC-approved rates, but had  
15 something to do with the underlying contract itself as they  
16 see that being a different -- a different story.

17           But otherwise I think the expectation has been  
18 over the years, if it's a FERC-approved rate, the LDC  
19 basically has no choice but to incur those costs and  
20 obviously flow it through.

21           Q.       So the basis would be something in the nature  
22 that there could have been a better rate obtained on another  
23 pipeline or that it would have been possible to negotiate a  
24 discounted rate that was not negotiated.

25           Would that be one of the -- one of the

1 theories?

2           A.       Certainly. I think that would be a -- one  
3 basis. Another one would be just maybe contracts for too  
4 much capacity on a pipeline.

5           Q.       Do you know if the Commission can order a  
6 company to forgive bad debt and implement an AAO recovery  
7 mechanism?

8           A.       I'm not sure I'm qualified to respond to that.

9           Q.       That's fine, if you don't know.  
10                   And you did not really testify about the AAOs,  
11 did you?

12          A.       No, I did not.

13                   COMMISSIONER MURRAY: I think that's all.  
14 Thank you, Mr. Cline.

15                   THE WITNESS: Thank you.

16                   JUDGE RUTH: Okay. We'll have recross based  
17 on questions from the Bench.

18                   You may proceed.

19 RECROSS-EXAMINATION BY MR. MICHEEL:

20          Q.       Commissioner Murray asked you some questions  
21 about the company's previous GSIP.

22                   Do you recall those questions?

23          A.       Yes, I do.

24          Q.       Is it correct that that case is still on  
25 appeal?

1           A.       I believe that's correct. I don't follow all  
2 those developments there, but it sounds right to me.

3           Q.       And one of the items that Laclede is  
4 contesting is the discontinuance of the pipeline discounts;  
5 isn't that correct?

6           A.       That would make sense to me to the extent that  
7 was part of the overall program. I don't know that that  
8 was -- how much that was singled out. I maybe should know  
9 those details, but I might have to get refreshed on that.

10          Q.       Well, I just -- I'm just envisioning -- I  
11 mean, would you assume for me that Laclede is successful in  
12 their appeal and the Commission also approves this program.  
13                    Wouldn't we be -- have two programs doing the  
14 same thing?

15          A.       Certainly that would not -- that would not  
16 appear to be an appropriate outcome.

17          Q.       Commissioner Murray also asked you some  
18 questions about the prudence reviews.  
19                    Do you recall those?

20          A.       Yes, I do.

21          Q.       Is this proposal -- assume for me that the  
22 Commission approves this proposal. Does that in any way,  
23 shape or form, this proposal, lessen the Commission's  
24 ability to do prudence reviews of the company's gas  
25 purchasing practices?

1           A.       I would think there would still be areas where  
2 prudence reviews would be expected, certainly, for example,  
3 as I mentioned to Commissioner Murray, if there was a  
4 contract that someone thought was -- the company contracted  
5 too much capacity overall or in one particular pipeline,  
6 that kind of thing.

7           Q.       I guess what I'm asking you, Mr. Cline, is  
8 does this proposal in any way, shape or form limit the  
9 Commission's ability from what it currently has now to do  
10 prudence reviews of the company's gas purchasing?

11          A.       I heard you whispering over there,  
12 Mr. Micheel. I think you know what the answer would be, and  
13 I guess I -- I agree with that answer.

14          Q.       And what was that answer?

15          A.       The answer you whispered was no.

16          Q.       And I think Mr. Pendergast agreed with me, did  
17 he not?

18          A.       I don't know. I wasn't looking at him.

19                   MR. MICHEEL: Would you agree with me,  
20 Mr. Pendergast?

21                   MR. PENDERGAST: Can I take the Fifth?

22                   MR. MICHEEL: That's all I have.

23                   JUDGE RUTH: Mr. Molteni, do you have cross?

24                   MR. MOLTENI: No cross, ma'am.

25                   JUDGE RUTH: And Staff?

1 RECROSS-EXAMINATION BY MS. SHEMWELL:

2 Q. Good afternoon, Mr. Cline.

3 A. Good afternoon.

4 Q. In contrasting the difference between  
5 Laclede's, for want of a better word, let's call it old GSIP  
6 and this plan, you said in the old GSIP the funds flowed  
7 directly to Laclede's bottom line; is that correct?

8 A. I said that a portion of the savings we  
9 achieved under our -- the various components of our  
10 incentive plan had the effect of -- of -- of improving our  
11 bottom line. They didn't say that quite that explicitly,  
12 but that's what I meant to say.

13 Q. What did the other portion go to?

14 A. To the customers.

15 Q. Okay. So you're saying that Laclede got a  
16 chunk and the rest flowed to customers?

17 A. That's correct.

18 Q. Are you saying that under the proposed plan,  
19 the funds don't go to Laclede's bottom line?

20 A. I was saying that they do not go to Laclede's  
21 bottom line in the form of a direct benefit in the form of  
22 incentive revenues.

23 There is undeniably, I know, will be a benefit  
24 to the extent that we can lower bad debts or bad debt  
25 expenses between rate cases, a lower number than what was

1 set in the last rate case. That reduction, just like any  
2 other cost reduction, would serve to improve our bottom line  
3 and/or offset -- or offset or adversely affect our bottom  
4 line between rate cases.

5 Q. You've referred a couple of times to this  
6 Natural Gas Commodity Price Task Force report responding to  
7 Commissioner Murray and some of the parameters, I believe.

8 Are you familiar with that report? Do you  
9 have it there in front of you?

10 A. I don't have the report in front of me. I  
11 have a private draft report in the room someplace.

12 Q. Let me just ask you this: About page 50 it  
13 has recommended parameters, and I think you were contrasting  
14 the difference, but with a GSIP, one of the parameters is  
15 that baselines for performance should be a part of an  
16 incentive plan where inherent levels of performance exist.

17 Would you agree with that parameter or would  
18 you agree that that parameter is in this report?

19 A. I recall some discussion of a baseline  
20 parameter in the report. You may be reading -- you may be  
21 correct. I'm not so sure I recall it being so definitive as  
22 to the fact there has to be baselines. Maybe that's what  
23 you meant and you might have qualified it, but there's  
24 certainly some discussion of baselines.

25 I'm not so sure, however, that the baselines

1 have to always be there.

2 Q. How do you judge performance, then?

3 A. Well, in our -- in our -- in our case, with  
4 this funding proposal in this -- in this Catch-Up/Keep-Up  
5 plan, we're judging performance in relation to the FERC  
6 maximum rates.

7 Q. The discounts off of FERC maximum rates?

8 A. That's correct.

9 Q. As opposed to your historic level of  
10 discounts?

11 A. In this -- in this setting, particularly since  
12 we believe this is fundamentally structured differently than  
13 what it was with the gas supply incentive plan, where the  
14 dollars are going, we've got the dollars here going directly  
15 to -- to the forgiveness of some arrearages, and I think --  
16 we just think that that makes more sense for funding in  
17 comparison to another type of funding mechanism where  
18 there's a direct surcharge to customers.

19 At least this is a way there's some incentive  
20 for the company to go out there and try to reduce cost,  
21 whether there's a baseline there or not.

22 Q. You talked about an incentive to reduce cost.  
23 You just said that. Would you agree with me the premise of  
24 an incentive plan is that the expenditures do not exceed  
25 the -- or in other words the benefit to the company does not



1 exceed the benefits to the customers?

2           A.       You're talking about the share of some savings  
3 or what?

4           Q.       Yes. That savings above what you could be  
5 expected to achieve, that's the area in which the company  
6 should share in benefits, so that there's actually a benefit  
7 to customers rather than an additional cost for the  
8 incentive plan.

9           A.       Well, I think in -- certainly it's our  
10 position that with our original incentive plan, and there  
11 was always -- there's always been a net savings to  
12 customers. It wasn't like it was a cost. You could refer  
13 to the -- the portion that we retain to our bottom line,  
14 went to our bottom line as a cost. But overall there was a  
15 net -- there were net savings to customers.

16                    If we -- if we saved \$10 million because of  
17 our -- because of the discount we negotiated with our  
18 transportation suppliers and we retained a 30 percent share  
19 of that, customers are still better off, and the company's  
20 rewarded for the effort that it undertook to get those cost  
21 savings for its customers.

22           Q.       At what point will you be able to determine  
23 what the cost savings for customers have been as a result of  
24 this plan?

25           A.       Can you repeat the question again, please?

1           Q.       I'm wanting to know at what point you're going  
2 to be able to say that the costs have exceeded -- or the  
3 benefits to customers have exceeded the costs.

4           A.       My opinion, that we can -- we can say that  
5 now.

6           Q.       Can you show us some studies or some figures  
7 that you've developed?

8           A.       In terms of anything that's put on paper, I  
9 don't know that I have that. I think we've described in  
10 our -- in our testimony in terms of how we expect there to  
11 be on a long-term basis reduction to bad debts as a result  
12 of this program, reduction in certain costs in connection  
13 with collection activities.

14          Q.       I understand that, Mr. Cline. My question was  
15 really directed to when will you be able to say to the  
16 Commission that the cost of the program is exceeded by the  
17 benefits to customers?

18          A.       I think I could say that today.

19          Q.       You just don't have anything to prove it?

20          A.       I think in terms of -- if you want to know  
21 what the absolute dollar amounts are in terms of specific  
22 dollar amounts, I can't say what our future reduction -- I  
23 can't guarantee a future reduction in bad debts.

24                   MS. SHEMWELL: Thank you. That's all I have.

25                   Thank you, Judge.

1 JUDGE RUTH: We may have some more questions  
2 from the Bench.  
3 Commissioner Lumpe?  
4 QUESTIONS BY COMMISSIONER LUMPE:  
5 Q. Very briefly, I hope, Mr. Cline.  
6 You agree that this is an experiment, right?  
7 A. Yes.  
8 Q. Okay. And experiments normally have, then, a  
9 timeline and evaluations that go with them; is that correct?  
10 A. They typically do, yes.  
11 Q. And have you suggested a timeline, and have  
12 you suggested evaluation that goes with it to determine its  
13 benefits?  
14 A. Yeah, I believe in the tariff. Well --  
15 Q. In the tariff that exists?  
16 A. We have -- we have suggested there be certain  
17 reports that -- monitoring type of reports that we would  
18 submit, and also we have agreed in the specimen tariff  
19 sheets we presented today to a certain ending date for the  
20 program.  
21 Q. Okay. You talk in your testimony about  
22 cost-free conservation measures.  
23 Could you cite some of those?  
24 A. Could you show me --  
25 Q. To whom are they cost-free?

1           A.       I'm not trying to -- where's that reference?  
2           Q.       If I look, I think it's on page 3 at the  
3 bottom, and then going over to page 4, where it talks about  
4 implement where feasible cost-free energy conservation  
5 measures.  
6           A.       The bottom of page 3?  
7           Q.       Yeah, was your answer.  
8           A.       Okay.  
9           Q.       Okay. Would you tell me what some of those  
10 cost-free measures might be?  
11          A.       That could be just basic consumer education in  
12 terms of things to do to save -- to save energy that doesn't  
13 require any -- any significant investment, whether it's  
14 dialing down a thermostat would be one of them.  
15          Q.       That kind of thing?  
16          A.       Yeah.  
17          Q.       Okay. Also on that page you mention that  
18 Laclede has a weatherization program, line 15, 16, I think,  
19 on that same page, page 4.  
20          A.       Uh-huh.  
21          Q.       Would you sort of explain to me how that --  
22 how your weatherization program works, where does the money  
23 come from, that sort of thing?  
24          A.       I'll try. As I mentioned, I know this morning  
25 with a lengthy discussion with Mr. Molteni, I believe, I

1 certainly don't have a great amount of familiarity with our  
2 specifics of our weatherization program.

3           But certainly the funds -- the current funding  
4 of the program at \$300,000 was -- came about as a part of  
5 our rate case in 2000 -- our 2001 rate case. And it was in  
6 that rate case I believe we agreed to the -- that funding  
7 level.

8           Q.       In effect, then, the ratepayers are paying for  
9 the \$300,000 that is going to the weatherization program; is  
10 that correct?

11          A.       That's correct.

12          Q.       Okay. There's no company money in there  
13 anywhere. It's all in that rate case, \$300,000; is that  
14 correct?

15          A.       Well, I should say this: The company's  
16 agreed -- the company's agreed to fund the program at  
17 \$300,000 as a -- as a part of the -- as a part of the  
18 settlement of that rate case. I mean --

19          Q.       And that's the limit that's on it, right?  
20 Once you get to 300,000, it's finished, right? Is that  
21 300,000 a year or is that 300,000 over the term of the rate  
22 case or --

23          A.       \$300,000 a year, I believe.

24          Q.       Okay. On page 8 of your testimony, you  
25 suggest this is not a forced -- not forced charity by the

1 other ratepayers. And if I understand you correctly, what  
2 you're saying is that Laclede used to get some of this money  
3 and, therefore, since they used to get it and now it would  
4 be going to the low income, it's not a forced charitable  
5 donation.

6 Am I reading you correct -- correctly?

7 A. Well, I think what I was really referring to  
8 there is that this isn't any more of a forced charitable  
9 contribution than the -- how you may look upon the bad debts  
10 that are built in the rates today, that all customers pay  
11 for those customers who are unable to pay their bills. I  
12 mean, I guess one could consider that to be of a forced or  
13 charitable contribution.

14 And this -- all we're suggesting here is that,  
15 rather than have that scenario occur where you continue to  
16 have these as higher-level bad debts funded by the other  
17 ratepayers, that we basically have the other ratepayers  
18 contribute towards the forgiveness of the arrearages of  
19 those low-income customers and so as to hopefully encourage  
20 those customers to pay their -- be able to pay their bills  
21 in the future and bring about an overall lower level of bad  
22 debts.

23 Q. Okay. Then I think the last question is,  
24 frequently in some of the settlements of the cases the  
25 companies agree to sort of get together and collaborate on

1 these programs.

2                   Has Laclede ever considered doing that; in  
3 other words, sitting down and collaborating with the various  
4 parties and coming to an agreement, as opposed to filing  
5 something and then having it be contested?

6           A.       Such as this Catch-Up/Keep-Up program?

7           Q.       Yes.

8           A.       I --

9           Q.       Would that not --

10          A.       I -- I would say that Laclede has done just  
11 that. I mean, we filed this program originally back in July  
12 of 2002. We had discussions with the Staff and the parties  
13 throughout our rate case discussions in an attempt to try to  
14 bring this into the -- into the settlement at that time.  
15 That did not happen.

16                   It was -- and I wasn't close enough to that  
17 process to tell you why that didn't happen, but it became  
18 apparent and, you know, because of the major issues in this  
19 last rate case, this is something that was not going to be  
20 able to happen in that context. Laclede continued to pursue  
21 that, and -- and even -- we pursued in such a way that after  
22 we filed our original program in July of 2002, we came back  
23 and filed another program in late September, I believe it  
24 was, and we -- and that was -- that was a program we filed  
25 after having some discussions with the parties, after

1 hearing some of their comments formally.

2                   Made some -- made some concessions that we  
3 thought made a lot of sense, made some changes which the  
4 other parties suggested we should make, and -- and -- and  
5 even past that, have continued to meet, I know on several  
6 occasions, with both the Staff and the Office of the Public  
7 Counsel to try -- to try to -- to settle this very issue.  
8 And it just could not happen.

9                   I'd say that, you know, the -- I'd just refer  
10 you probably to some of the pleadings that we filed in this  
11 case that would kind of give you some idea as to the kind of  
12 stuff we took to try to bring this thing to a resolution.  
13 We tried to make some concessions to make that happen, but  
14 it just did not happen, and so that's why we're here.

15           Q.       But it occurred more through pleadings than  
16 through sort of sitting around and collaborating; is that  
17 correct?

18           A.       I don't know that I would necessarily agree  
19 with that. I wish I could say that I was involved in more  
20 of the discussions. I was -- but I do know that there  
21 were -- there were plenty of meetings, face-to-face, phone  
22 calls where there was an attempt to try to break the ice and  
23 reach some resolution. And I know there were people at  
24 Laclede who worked very hard to get that done and to avoid  
25 why we're here today, but it just couldn't happen.



1                   And, you know, we continued to press it,  
2 because it's something we believe very strongly in. We  
3 think it makes a lot of sense for our low-income customers.  
4 But I agree that's a better way to go, but it just was --  
5 appeared to be a standoff.

6                   COMMISSIONER LUMPE: Thank you. That's all I  
7 have.

8                   JUDGE RUTH: Commissioner Gaw?

9                   COMMISSIONER GAW: No, thanks.

10                  JUDGE RUTH: Commissioner Murray, please go  
11 ahead.

12 FURTHER QUESTIONS BY COMMISSIONER MURRAY:

13                  Q.       Mr. Cline, are the discounts that Laclede is  
14 able to negotiate considered highly confidential?

15                  A.       I would say that -- I would say that, for the  
16 most part, not. Earlier today we had to go in-camera or  
17 whatever because we were discussing one particular discount  
18 that didn't have -- have anything to do with one that was  
19 under the jurisdiction of Federal Energy Regulatory  
20 Commission, but for the most part those discounts are  
21 available for -- publicly available.

22                  You can see what kind of pricing arrangements  
23 customers have entered into with pipelines on the FERC  
24 website. Those deals are posted. I won't say they're easy  
25 to understand, but they're out there. The information's

1 there. And so I would say the answer to your question is,  
2 for the most part, they're not highly confidential.

3           There are some -- just to qualify that a  
4 little bit, there are some what they refer to as negotiated  
5 rate arrangements that I've seen various companies file with  
6 pipeline companies that appear to, for whatever reason, be  
7 at times confidential and not easily accessible to the  
8 public, but, for the most part, I think discounts -- you  
9 would see our discounts -- you could trace our discounts  
10 back to the FERC website.

11           Q.       Okay. Then I'm sure these questions won't be  
12 considered confidential.

13           Does -- do you know if Laclede pays the  
14 maximum FERC-approved rates for any transportation and  
15 storage services?

16           A.       We do pay the maximum transportation rates,  
17 storage rates for -- well, transportation rates, certainly,  
18 on Williams gas pipeline. We also pay the maximum  
19 transportation storage rates, but for a -- now a relatively  
20 short-lived system-wide discount negotiated in a rate case.  
21 We pay that in -- to Mississippi River Transmission  
22 Corporation.

23           And we also -- I believe your question may  
24 have been more FERC-related, but we're also paying maximum  
25 rates, I believe, to Missouri Pipeline Company.

1 Q. And is this because of long-term contracts?

2 A. No. I wouldn't necessarily associate with  
3 the fact that they're long-term contracts. Well, the  
4 Williams agreement I refer to is a long -- is, in fact, a  
5 long-term contract, but it could have been because of the  
6 space, the capacity Williams had available at the time we  
7 negotiated with it.

8 It didn't -- we were unable to negotiate a  
9 discount with them, but -- and also with Mississippi River  
10 Transmission Corporation, that contract just recently was  
11 renegotiated in, like, a five-year deal and -- but it was --  
12 we're paying maximum rates to them probably more because  
13 they can extract maximum rates from us.

14 Q. Prior to the old GSIP, did Laclede pay more of  
15 the maximum rates than it did after the GSIP was begun, do  
16 you know?

17 A. I'm sorry. Could you repeat your question,  
18 please?

19 Q. Well, what I'm trying to figure out is, did  
20 the GSIP result in more discounts, in Laclede achieving more  
21 discounts?

22 Can you quantify that?

23 A. I think we can certainly point to several -- I  
24 can point to several specific transportation contracts we  
25 entered into after the implementation of our gas supply

1 incentive plan that were discount arrangements that weren't  
2 there beforehand and that certainly we -- you know, they  
3 were probably negotiated as low as they were because of the  
4 incentive plan we had in effect at the time.

5 Q. In other words, Laclede negotiated more  
6 vigorously because of the plan being in place?

7 A. Once again, I don't want to suggest that we  
8 would not vigorously negotiate without an incentive plan or  
9 without some sort of incentive, that we would not vigorously  
10 negotiate a discount, but certainly, I think that the --  
11 when there's a -- a possibility for a reward out there, that  
12 that certainly helps to -- to -- certainly gives the LDC an  
13 incentive to negotiate the best deal it can.

14 And I just know that there were certainly some  
15 transportation contracts that had been negotiated since we  
16 had the GSIP and while we had the GSIP that were probably --  
17 I believe the incentive plan did help to make those things  
18 happen.

19 Q. Do you -- are you familiar with that FERC  
20 website that you talked about earlier where you can look at  
21 the rates that the various LDCs are paying?

22 A. I'm familiar with it.

23 Q. Would you say that -- oh, would you say  
24 there are a large number of companies that pay the maximum  
25 FERC-approved rate for transportation and storage?

1           A.       I really don't know whether there is a large  
2 number or not. I've not studied it in that kind of detail.  
3 You know, probably the closest I came to looking at it from  
4 that standpoint was when we -- when I performed a study  
5 along those lines in one of the previous case -- supply  
6 incentive plan cases we had before the Commission. And I  
7 did at that time look in detail at the various shippers on  
8 the various pipelines in which we were negotiating  
9 discounts.

10                   And certainly there were -- there were some  
11 customers that paid -- that paid maximum rates, some fair  
12 number that get discounts. It just depends. It depends on  
13 numerous factors, but there certainly is -- let's just say  
14 it's not a given that you can get a discount. It's not just  
15 going to happen.

16           Q.       But it's not unusual to get a discount, is it?

17           A.       Certainly there are many discounts negotiated,  
18 and I think one point we tried to make when we were involved  
19 in this gas supply case I was referring to before is, we  
20 recognize there was some interest in the concept of  
21 baselines and that maybe the -- that the idea was that --  
22 you know, that there wasn't just enough to measure discounts  
23 in reference to what you could get off of the FERC maximum  
24 rate.

25                   You should -- you should measure the -- the

1 amount of money you're allowed to retain in reference to a  
2 baseline, how much better you're doing than, you know, some  
3 baseline. And we determined that we made that baseline --  
4 at that time we looked at a baseline in terms of what other  
5 shippers were doing out there, what other -- what other  
6 companies like Laclede on those same pipelines getting  
7 discounts were able to negotiate.

8                   And it was my conclusion at the time that --  
9 that, yeah, even though there were many other shippers on  
10 those pipelines negotiating discounts, in my opinion our  
11 discounts were greater than the norm, and that's why we came  
12 up with a -- a baseline for discounts in that case. But  
13 certainly we -- I agree with you there are other discounts  
14 out there, and we would believe that we've been able to  
15 obtain better than average discounts.

16                   And for that reason we think it's -- you know,  
17 that it's appropriate that there should be some reward for  
18 that.

19                   COMMISSIONER MURRAY: Okay. I believe that's  
20 all I have this time.

21                   Thank you.

22                   JUDGE RUTH: We'll go ahead and do another  
23 round of recross.

24                   Mr. Micheel?

25 FURTHER RECROSS-EXAMINATION BY MR. MICHEEL:

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1 Q. Mr. Cline, I believe that Commissioner Lumpe  
2 asked you some questions about the monitoring report and the  
3 evaluation of this experiment.

4 Do you recall those questions?

5 A. Yes, I do.

6 Q. Do you have a copy of Exhibit 13 with you,  
7 which is the sample tariffs here?

8 A. Yes, I do.

9 Q. And if you could, turn to Tariff Sheet 28-j.

10 A. Uh-huh.

11 Q. And I'm focusing on big H, small F, and then  
12 there are Roman I through V there.

13 Do you have see those, sir?

14 A. Yes, I do.

15 Q. Are those the reporting requirements that you  
16 were responding to in response to Commissioner Lumpe's  
17 questions?

18 A. Yes, those along with the reporting  
19 requirements your office suggested we add to this list.

20 Q. Okay. And those are where -- where are those?

21 A. On the very next page, 28-j1.

22 Q. And none of those requirements, though, detail  
23 a study or a report regarding the efficacy of the program,  
24 do they?

25 A. Efficacy as defined by -- as defined how?

1 Q. Whether it's effective or not, whether it's  
2 achieved its goals.

3 A. But in reference to -- how are you -- how were  
4 you -- what goals are you referring to?

5 Q. The goals the company has for the program.

6 A. Well, I think this information here should  
7 be -- should be adequate to indicate that the number of  
8 customers who were -- who were -- who benefited by this. I  
9 think it will also give us some indication of the -- now,  
10 stop there. I think that should be -- that should be --  
11 that should be adequate.

12 Q. And that's enough study for your purposes for  
13 this Commission to determine whether or not this particular  
14 experimental program is a benefit and should be made  
15 permanent?

16 A. Here we go. I'll refer you specifically to  
17 Roman Numeral V, to the extent available, information  
18 dealing -- detailing the impact of the program and reducing  
19 customer arrearages, encouraging conservation and lessening  
20 uncollectible expense. That to me is a pretty far-reaching  
21 and all-encompassing reporting requirement that should --  
22 that should, if that information is available, give everyone  
23 the kind of information they need to make an evaluation of  
24 this program.

25 Q. Will Laclede guarantee that that information



1 is available?

2           A.       We'll guarantee -- you know, we'll guarantee  
3 we're going to get -- we're going to get -- we're going to  
4 obtain it to the extent -- like I said, to the extent it is  
5 available. But if we can't -- if there's some limitations  
6 in how we can -- in getting that information, whether it's  
7 from agencies or whomever, whomever we're dealing with in  
8 the program, I mean, there may be some limitations in terms  
9 of what we can gather.

10                   And yet we want to see this program continue  
11 as well, and if that -- if we need to put -- to come up with  
12 a report that documents this along the lines of what the  
13 Staff is suggesting, that would give somebody the comfort  
14 level this, in fact, is -- is doing what it should be doing,  
15 we have an interest in getting that information as well, and  
16 we'll provide it.

17           Q.       Chair Lumpe or Commissioner Lumpe -- former  
18 Chair Lumpe -- asked you some questions regarding the  
19 collaborative nature of this program.

20                   Do you recall those questions?

21           A.       Yes, I do.

22           Q.       Just so I can get the timeline straight here,  
23 Mr. Cline, is it correct that the company filed this  
24 proposal in July, the initial proposal, the initial  
25 Keep Up/Catch-Up proposal in July?

1           A.       The initial Catch-Up/Keep-Up proposal was  
2 filed in July, that's correct.

3           Q.       And it was filed at the same time we were  
4 having the prehearing with respect to the company's last  
5 rate case proceeding; is that correct?

6           A.       I don't recall the timeline specifically in  
7 terms of how that coincided or didn't coincide with the  
8 prehearing, but certainly it was all -- there was a lot  
9 going on at the same time.

10          Q.       Let me ask you this, Mr. Cline: Did you or  
11 anyone from Laclede Gas Company prior to the company's  
12 initial July filing contact myself or anyone else in the  
13 Office of the Public Counsel and elicit our input with  
14 respect to this proposal?

15          A.       Prior to when, Doug?

16          Q.       Prior to the initial filing of this proposal.

17          A.       Not that I'm aware of.

18                   MR. MICHEEL: That's all I have.

19                   THE WITNESS: I should say this. I don't know  
20 that that means that there's -- that there's -- that doesn't  
21 express -- indicate there's any unwillingness on the part of  
22 the company to -- to have worked out anything subsequent to  
23 that. I mean, for us to not have elicited your comments,  
24 your suggestions in advance didn't mean that we weren't  
25 interested. In fact, I think you know we've had many

1 conversations afterwards to try to accommodate your needs.

2                   So I just don't think that that means that the  
3 door's closed.

4                   JUDGE RUTH: Mr. Cline, your attorney can go  
5 into that more on redirect, but now we'll move on.

6                   Are there any recross now from DNR?

7                   MR. MOLTENI: Yes, ma'am.

8 RECROSS-EXAMINATION BY MR. MOLTENI:

9           Q.       Picking up where Mr. Micheel just left off  
10 regarding Commissioner Lumpe's questions about collaboration  
11 methods, you've never contacted anybody from the Department  
12 of Natural Resources either before or after the July filing  
13 regarding Catch-Up/Keep-Up; isn't that correct?

14          A.       I certainly would not have. I wouldn't know  
15 how to contact the Department of Natural Resources. And --  
16 but --

17          Q.       And you're not --

18          A.       Let me -- I'd just like to say this: I -- you  
19 know, as we talked about before, the primary focus of the --  
20 of the Catch-Up/Keep-Up program was customer -- was  
21 forgiveness of customer arrearages, and it was not so much  
22 devoted towards weatherization. And, you know, yet we've  
23 agreed to, assuming this program gets approved, have another  
24 \$300,000 go that way.

25                   But I -- I think you understand that that

1 wasn't the thrust of this program. And, therefore, I don't  
2 know that it would have made sense for us to have -- to have  
3 contacted you -- to have contacted your office about this.

4 Q. Mr. Cline, I think the Department of Natural  
5 Resources greatly appreciates the movement that Laclede has  
6 made, but I'm just asking you. You personally never had  
7 contact with anybody from the Department of Natural  
8 Resources regarding weatherization or any other components  
9 of Catch-Up/Keep-Up, correct?

10 A. That is correct, for the reasons I stated  
11 earlier.

12 Q. Okay,

13 A. That was -- weatherization was not the primary  
14 focus of this program. That's why we expected us to have  
15 called you.

16 Q. But your testimony talks about weatherization,  
17 doesn't it?

18 A. You're -- but the testimony talks about  
19 weatherization, but I think you -- you understand that from  
20 the -- from the tariff, weatherization was not a big part of  
21 this. It's gotten to be a bigger part, but that was not the  
22 thrust of the program.

23 Q. And, in fact, indistinguishable is an  
24 adjective that you use in discussion about weatherization.  
25 That's in your testimony, is it not, that adjective

1 "indistinguishable" in the context of weatherization?

2           A.       And we went over that this morning when --  
3 about what the context of indistinguishable was in that --  
4 in that testimony. And it had to do with our desire to  
5 try to come up with a program that addressed the needs of  
6 low-income customers, just like weatherization programs or  
7 low-income rate programs, along the lines of referring to  
8 eligibility requirements and those kind of things.

9                   That is why -- that's why it was in the  
10 testimony. I thought we -- I thought we had that covered.

11          Q.       And you're not cognizant of anybody else from  
12 Laclede contacting anybody at DNR about the weather  
13 component of Catch-Up/Keep-Up, are you?

14          A.       I'm not. But I'm not saying we -- I knew I  
15 shouldn't --

16                   JUDGE RUTH: Mr. Cline, I'm going to ask you  
17 to limit your answers to the question asked.

18                   THE WITNESS: Okay.

19                   JUDGE RUTH: You may proceed.

20                   THE WITNESS: I'm not aware of -- I guess  
21 you'd better ask me the question again.

22 BY MR. MOLTENI:

23          Q.       It was a very simple question, Mr. Cline.

24          A.       I'll give a simple answer.

25          Q.       You're not cognizant of anybody from Laclede

1 contacting anybody about DNR -- or anybody at DNR about the  
2 weatherization component of Catch-Up/Keep-Up, are you, ever?

3           A.       I am not aware of anyone, but that does not  
4 mean that nobody -- that nobody at Laclede contacted you.

5           Q.       Mr. Cline, Commissioner Lumpe asked you some  
6 questions about Laclede's current weatherization program.

7                    Do you remember those? Specifically she asked  
8 you how it works and --

9           A.       Yes.

10          Q.       -- where does the money come from.

11                    Do you remember that?

12          A.       Yes, I do.

13          Q.       And your answer was that it's currently funded  
14 from \$300,000 that comes from the rate case; is that  
15 correct?

16          A.       The \$300,000 came about as a part of a rate  
17 case resolution, that's correct.

18          Q.       And on sheet 28-j of Exhibit 13, the specimen  
19 tariff sheet, Laclede has graciously documented its  
20 commitment to add another \$300,000 to the current  
21 weatherization program; is that correct?

22                    That's the correct understanding?

23          A.       Where are you referring to?

24          Q.       Sheet 28-j of schedule -- I'm sorry -- of  
25 Exhibit 13.

1           A.       Okay.

2           Q.       This is the -- we went over this this morning.

3 Do you remember?

4           A.       I -- I do.

5           Q.       Mechanically, can you explain how that

6 \$300,000 is going to come from Catch-Up/Keep-Up and get

7 directed specifically towards the existing weatherization

8 program?

9           A.       I'm sure if -- this was the kind of detail I

10 wasn't prepared to address at this time, but I'm -- I

11 suspect, given enough time, I could give you a better

12 answer.

13                   I would -- I would think it would be very

14 similar to the -- to the way the -- the disbursement of

15 funds will be made to the agencies to take care of these

16 customer arrearages. I mean, certainly if you want some

17 more mechanics there, you want some more details there,

18 assuming this thing gets off the ground, we can -- we can

19 try to make -- to be more specific.

20           Q.       You think it would be beneficial to everybody

21 if we put some of the mechanical details of how that funding

22 will take place in the tariff sheet itself?

23                   I don't mean that as a trick question,

24 Mr. Cline.

25           A.       My hesitation isn't because I deemed it to be

1 a trick question. I just -- was just trying to consider  
2 whether I think that makes sense or not. Because I think  
3 a lot of times you get tariffs cluttered up with material  
4 that doesn't really -- isn't all that helpful and, but --  
5 but . . .

6 Q. Well, the --

7 A. Actually, I'm not so sure that the -- I guess  
8 if I had -- if I maybe had a better explanation from you as  
9 to what some of your concerns were with respect to the lack  
10 of detail regarding the funding, maybe that would help me to  
11 know whether that's something we should put in the tariff.

12 Q. The way the \$300,000 is pooled for the  
13 weatherization program as a result of the rate case, I'm  
14 assuming is differently -- is different mechanically than  
15 the way the money that would be set aside for Catch Up/Keep  
16 Up is pooled.

17 Is that accurate or not accurate, Mr. Cline?

18 A. You refer to money being pooled. I'm not sure  
19 I understand what you mean.

20 Q. Set aside. I mean, it's one thing to say that  
21 we're going to set aside \$300,000 for X, Y or Z, but there  
22 are different means of doing that, different mechanical  
23 means. And what I'm asking you is, I'm assuming there  
24 are -- there's a different funding mechanism for the  
25 weatherization program that exists as a result of the rate



1 case and a different funding program -- or a different  
2 funding mechanism for Catch-Up/Keep-Up.

3 A. Uh-huh.

4 Q. And what I'm asking you is, wouldn't those  
5 different funding mechanisms need to be reconciled? And  
6 maybe the best place to do that is in the tariff sheet, if  
7 you're going to add another \$300,000 in the Catch-Up/Keep-Up  
8 program to the already existing \$300,000 annually for the  
9 weatherization program.

10 A. I understand that, and that would probably be  
11 appropriate.

12 MR. MOLTENI: Okay. Thanks very much.

13 JUDGE RUTH: Staff, do you have --

14 MS. SHEMWELL: No questions.

15 JUDGE RUTH: Redirect?

16 REDIRECT EXAMINATION BY MR. ZUCKER:

17 Q. Good afternoon again, Mr. Cline.

18 A. Good afternoon.

19 Q. Do you recall questions asked to you by  
20 Mr. Micheel about the MGE program, their experimental low  
21 income rate and the differences between their program and  
22 Catch-Up/Keep-Up?

23 A. I do.

24 Q. And I believe you answered that -- that that  
25 program, the MGE program, customers were paying in a

1 surcharge of 8 cents a month on that program; is that  
2 correct?

3 A. That's correct. That's my understanding.

4 Q. And did you hear Mr. Fallert testify this  
5 morning that, in his opinion, residential customers would be  
6 charged approximately 62 cents a month? Really wouldn't be  
7 charged, but would, in effect, pay 62 cents a month for the  
8 Catch-Up/Keep-Up program.

9 A. I recall that, yes.

10 Q. And the 8 cents a month is also charged to  
11 residential customers in the MGE program; is that correct?

12 A. That is charged only to residential customers,  
13 as I understand it. Whereas, our charge would be a little  
14 bit broader than that, cover commercial and industrial  
15 customers as well, except for transportation customers.

16 Q. Is the difference between the 8 cents and the  
17 62 cents in terms of customer impact, is this a material  
18 difference?

19 A. Certainly not a material difference in terms  
20 of -- I don't believe in terms of customer impact. I think  
21 it -- however, in terms of absolute dollars that are raised,  
22 there does seem to be a difference in monies.

23 Q. And with regard to the 62 cents, to the extent  
24 the program results in a greater level of pipeline discounts  
25 than would otherwise be the case or reduces bad debt or

1 expenses below the level that would otherwise be the case,  
2 doesn't that result in an overall net benefit to customers  
3 that would offset that 62 cents?

4           A.       Certainly.

5           Q.       Regarding the MGE program, Mr. Micheel  
6 pointed out that that experimental program only involved  
7 1,000 customers.

8                    Do you recall that?

9           A.       I do.

10          Q.       Have you seen Ms. Meisenheimer's testimony  
11 regarding how many customers she would expect to be affected  
12 by Catch-Up/Keep-Up?

13          A.       I have.

14          Q.       Do you recall the figure that she said would  
15 be involved with Catch-Up/Keep-Up?

16          A.       I think she mentioned a number somewhere in  
17 the range of 12,913, something like that.

18          Q.       I think that's right, Mr. Cline.

19                    One more point on the MGE program. In the MGE  
20 case, a Mr. Colton testified for the Office of the Public  
21 Counsel.

22                    Do you recall whether he advocated a higher  
23 amount for the program than was ultimately approved?

24          A.       It's my understanding that he advocated a much  
25 higher amount than what was ultimately approved, far bigger

1 than what was approved.

2           Q.       Okay. Some questions asked to you by  
3 Ms. Shemwell of the Staff. She asked about the cost/benefit  
4 of Catch-Up/Keep-Up. Would that cost -- would that analysis  
5 be more appropriately done after the program was over, as  
6 opposed to before the program begins?

7           A.       Certainly I think we'll have more information  
8 about the program once it's underway and about the  
9 experiment once it's underway, once it's concluded or once  
10 we're into it.

11                   My only point with Mrs. Shemwell was I didn't  
12 think we need such an analysis at this point to recommend  
13 that the Comm-- that the Commission approve -- approve the  
14 program.

15           Q.       Ms. Shemwell also asked you whether you would  
16 be showing a separate charge on the bill for Catch Up/Keep  
17 Up.

18                   Do we have -- with Laclede's weatherization  
19 program, do we show a charge for that separately?

20           A.       No, we do not.

21           Q.       To your knowledge, has Staff recommended that  
22 we do that?

23           A.       To my knowledge, no, they have not.

24           Q.       You testified in response to a question by  
25 Commissioner Murray that the old gas supply incentive plan,

1 rewards from that went to Laclede's incentive revenues as  
2 profit; is that correct?

3 A. That's correct.

4 Q. Is there not also a current gas procurement  
5 mechanism that works the same way?

6 A. Yes, there is. One was recently approved in  
7 our rate case for -- having to do with gas procurement  
8 efforts on the part of the company.

9 Q. Mr. Micheel asked you what would happen if, I  
10 guess, Laclede won its appeal on the old GSIP decision.

11 Do you feel you're qualified to testify as to  
12 the effect of a judicial decision on the GSIP program?

13 A. Not to the effect of a judicial decision, no,  
14 I do -- I'm not qualified.

15 Q. Commissioner Murray also asked you a series of  
16 questions about whether incentives would cause Laclede to  
17 increase the discounts that it receives on its pipelines.

18 Do you recall those questions?

19 A. Yes, I do.

20 Q. Does the availability of an incentive, in your  
21 opinion, influence the level of resources that are devoted  
22 to an activity?

23 A. I think it has some effect on the level of  
24 resources, yes.

25 Q. And does Laclede have unlimited resources?

1           A.       It definitely does not.

2           Q.       And so the influence it would have, would that  
3 be to increase the number of resources on the -- on the  
4 issue where the incentive lies?

5           A.       I think there would be more attention devoted  
6 to it, yes.

7           Q.       Mr. Micheel also asked you questions about the  
8 evaluation of the program. In response you pointed out a  
9 tariff page that showed that Laclede would be producing  
10 annual report on the program; is that correct?

11          A.       Yes.

12          Q.       Would you anticipate that their information in  
13 those reports would be used by the parties to evaluate the  
14 success of the program?

15          A.       I would assume that it was, yes.

16          Q.       And that the program would not likely be  
17 continued if it proved to be unsuccessful?

18          A.       That would be my understanding.

19          Q.       But it would be more likely to be continued if  
20 those reports -- if the evaluation of those reports proved  
21 that it was successful?

22          A.       That's what I would assume.

23          Q.       Mr. Molteni asked you questions on  
24 cross-examination regarding our involving the Department of  
25 Natural Resources on discussions on our low-income programs.

1                   Do you recall whether these low-income  
2 programs were discussed during the Natural Gas Task Force  
3 meetings that took place last year?

4           A.       I really don't recall.

5           Q.       Do you recall if DNR was at those meetings?

6           A.       I wouldn't be surprised if they were. I know  
7 that there was an attempt to bring in a lot of different  
8 interests; LDCs, Staff, OPC, industrial groups. And I  
9 wouldn't be surprised if DNR would have been involved.

10           MR. ZUCKER: Thank you, Mr. Cline.

11           JUDGE RUTH: Okay. Mr. Cline, you may step  
12 down.

13           Now, before we took a break earlier, I was  
14 informed that the Department of Natural Resources wanted a  
15 witness to go out of order. Is that still the case?

16           MR. MOLTENI: Yes, ma'am.

17           JUDGE RUTH: And it was my understanding you  
18 wanted to call Rolandis Nash at this time --

19           MR. MOLTENI: Yes, your Honor.

20           JUDGE RUTH: -- and that none of the other  
21 parties objected; is that correct?

22           MR. MOLTENI: That's correct, your Honor.

23           JUDGE RUTH: Okay. Please call Mr. Nash.

24           MS. SHEMWELL: Judge Ruth, while we're between  
25 witnesses, may I mention something?

1                   We also have the issue of Commissioner  
2 questions for Mr. Moten that may need to be taken out of  
3 order before Ms. Meisenheimer.

4                   JUDGE RUTH: Correct. There may or may not be  
5 any additional ones for Mr. Moten. I had simply told the  
6 parties that since all the Commissioners weren't here, we  
7 may need to recall him.

8                   MR. MOLTENI: I'd like to thank both my  
9 colleagues and the Bench for the courtesy extended in  
10 allowing Mr. Nash to take the stand out of order and get  
11 home to St. Louis. It's very kind of you.

12                   (Witness sworn.)

13                   JUDGE RUTH: Please proceed.

14 ROLANDIS NASH testified as follows:

15 DIRECT EXAMINATION BY MR. MOLTENI:

16           Q.       Please state your full name for the record.

17           A.       Rolandis Nash.

18           Q.       And by whom are you employed?

19           A.       The Urban League of Metropolitan St. Louis.

20           Q.       What's the address for the Urban League?

21           A.       3701 Grandale Square, St. Louis, Missouri.

22           Q.       And in what capacity are you employed by the  
23 Urban League?

24           A.       I am the vice president.

25           Q.       And are you the same Rolandis Nash who



1 filed direct testimony in this case that's been marked as  
2 Exhibit 6?

3           A.       Yes.

4           Q.       Do you have any changes to the prefiled  
5 testimony?

6           A.       No.

7           Q.       Are the answers to the questions contained in  
8 that testimony true and accurate to the best of your  
9 knowledge?

10          A.       Yes.

11          Q.       If I were to ask you those same questions  
12 today when you're under oath, would your answers be the same  
13 as that contained in your testimony?

14          A.       Yes.

15                   MR. MOLTENI: Before I go on with rebuttal, I  
16 will formally offer Exhibit 6 into evidence.

17                   JUDGE RUTH: Exhibit 6 has been offered. It's  
18 Mr. Nash's direct testimony. Are there any objections?

19                   (No response.)

20                   JUDGE RUTH: Seeing no objections, Exhibit 6  
21 is received into the record.

22                   (EXHIBIT NO. 6 WAS RECEIVED INTO EVIDENCE.)

23                   JUDGE RUTH: Please proceed.

24 BY MR. MOLTENI:

25          Q.       Mr. Nash, have you been here the last couple

1 of days?

2           A.       Yes, I have.

3           Q.       Let me ask you this: Have you ever testified

4 in any proceedings before?

5           A.       No, I have not.

6           Q.       You don't testify as part of your earning a

7 living then?

8           A.       No, I don't.

9           Q.       You've been here the last couple of days. As

10 your direct testimony states, you're involved in the Urban

11 League weatherization program?

12          A.       That's correct.

13          Q.       Do you supervise it?

14          A.       Yes.

15          Q.       In hearing testimony in the past couple of

16 days, do you recall hearing testimony about putting plastic

17 up over windows as part of a weatherization program?

18          A.       Yes, I did hear that.

19          Q.       Is the Urban League -- in its weatherization

20 program, does it use plastic over windows at all as a

21 component of weatherization?

22          A.       No, we do not.

23          Q.       Are you involved at all with plastic over

24 windows?

25          A.       Well, yes, we give out plastic. Once a year

1 we have weatherization day, and all the clients that we give  
2 plastic to we do -- do a health and safety check on them,  
3 make sure their furnace is working right.

4           And the main reason we do it is just a  
5 visual -- visual thing for a lot of seniors. They've had  
6 plastic on their windows for 20 years and they just won't  
7 accept anything else, so we just accommodate them. But  
8 that's, again, after our health and safety inspection.

9           Q.       The health and safety inspection, elaborate on  
10 that a little bit.

11           Are there health and safety concerns about  
12 putting plastic over windows?

13           A.       Well, yes, it is. You have to be careful when  
14 you're putting up plastic, because some -- some air is good  
15 coming through your house, and if you don't check the  
16 furnace to make sure that there's not carbon monoxide  
17 poisons coming out, you might be sealing that house with  
18 plastic and then poisons may be able to just come in and  
19 just poison the people in their sleep or something.

20           Q.       In your experience in administering the Urban  
21 League's weatherization program, does putting plastic solve  
22 low income home's weatherization needs?

23           A.       No. No, I don't think so. It's -- I mean,  
24 it's like putting a Band-Aid over a burn over 90 percent of  
25 your body. It just -- I mean, if you don't go in and do all

1 of the windows -- in most of the homes in St. Louis, we have  
2 homes that has like 27, 28 windows. It's not uncommon to  
3 see that.

4           So in most of the plastic programs, just  
5 putting plas-- giving them maybe three or four windows is  
6 making a room comfortable, but that's not going to change  
7 the use of the energy.

8           Q.       When you go into a home, could you explain to  
9 the Commissioners what the Urban League's weatherization  
10 program is like? What happens when you do go in to a home?

11          A.       I guess, first, when clients apply for the  
12 program, we make sure they're -- they're qualified. And  
13 when I say qualified, their income meets the guidelines and  
14 that the house that they're staying in hasn't been  
15 weatherized in the last ten years or so, because we do  
16 weatherize homes, you know, so . . .

17          Q.       If I may interrupt you for a second, what are  
18 the income guidelines?

19          A.       Income guidelines, one person making about  
20 \$12,000, and you could add 3,000 for every other person in  
21 the household.

22          Q.       Does that translate to any other sort of  
23 federal income guidelines?

24          A.       150.

25          Q.       Is that the federal poverty level?

1           A.       That's exactly right.

2           Q.       And then what happens after you've been  
3 contacted by the client?

4           A.       Well, the client comes in and we make sure  
5 that they qualify, like I said earlier. Then once we get  
6 all the information, the rest of their information, we like  
7 to get a history of their utility bills -- and we do a  
8 holistic approach. We like to get all of their debts and  
9 all that they have, and also, you know, we already have  
10 proof of their income.

11                   So we do a comparison, how much money they  
12 have left over, because the Urban League is a social service  
13 organization, and we have quite a bit of programs that we  
14 like to qualify a person for if they come in. So if they  
15 come in and their debts outdo their incomes, we will try to  
16 find ways to bring -- we can't bring income in, but to at  
17 least cut down on their debts.

18                   So like if a client comes in and they state  
19 that they use \$100 a month in food, we try and cut down that  
20 by giving them a food basket that will take them for about a  
21 week to ten days. We also tack in that the -- after we  
22 finish the weatherization, that it will take down their  
23 utility costs at least 30 percent.

24           Q.       Let's focus specifically on the weatherization  
25 component.

1           A.       Okay.

2           Q.       When somebody, first of all, who comes out,  
3 how is that person qualified and what do they do when they  
4 go to a client's home?

5           A.       Well, the auditor goes out and we have what's  
6 called a blower door. A blower door, it's like a big fan  
7 that pretty much occupies the entire door. We put the  
8 blower door up, and once we put it up, we turn it on and it  
9 creates, like, a vacuum. So if we turn the fan facing the  
10 house, we create a large wind coming in. But, of course, we  
11 turn it the other way so it kind of creates a vacuum.

12                   What we do, once the vacuum is going, we walk  
13 through all the windows, the doors, and all the -- you know,  
14 all the cracks in the walls and all, just to find out where  
15 the air filtration is coming in. Once we doing this, we  
16 like to have the client involved, because we like for them  
17 to know exactly what we're doing. We tell them where the  
18 air is coming in, how we're going to stop it and all.

19                   So after we do all that, make sure the client  
20 understands where all the air infiltration is, we go back to  
21 the office and we put it in the computer. The computer  
22 pretty much tells us how we're going to go about sealing all  
23 the cracks. Then we turn it over to a contractor. The  
24 contractor goes out and actually, you know, replaces the  
25 window panes, fills in the cracks and all of that.

1                   Then we go back out and check to make sure  
2 that all the things we have on the contract was done and  
3 walk through it again with the homeowner, make sure they're  
4 satisfied, and that's pretty much it. The whole process  
5 takes about three weeks.

6           Q.       And so the weatherization component involves  
7 making substantial physical changes to the low-income home;  
8 is that correct?

9           A.       That's exactly right.

10          Q.       And you say that you look at the client's  
11 bills, at their energy bills. Do you ever get a chance to  
12 see their energy bills after weatherization has taken place?

13          A.       Not -- not often, but we have. You know, when  
14 we first got into the program, when I first became the  
15 overseer of it, I was very concerned with that. So we have  
16 had, you know, test studies where we went out and looked at  
17 clients' bills after we finished the weatherization.

18          Q.       And I realize this may be just anecdotal, but  
19 have you seen decreases in the bills and were those  
20 decreases substantial?

21          A.       Very much so. I mean, I could possibly run  
22 off maybe ten clients where we've seen it cut to 50 percent.

23                   MR. MOLTENI: Okay. Mr. Nash, I thank you  
24 very much, and I'm going to tender Mr. Nash for  
25 cross-examination.

1 JUDGE RUTH: Public Counsel?

2 MR. MICHEEL: I have no questions for Mr. Nash

3 today.

4 JUDGE RUTH: And Staff?

5 CROSS-EXAMINATION BY MS. SHEMWELL:

6 Q. Good afternoon, Mr. Nash.

7 A. Good afternoon.

8 Q. You said the purpose of your testimony was to

9 comment on what an effective low-energy program should look

10 like, and then you testified that weatherization is

11 certainly a big part of that and that weatherization

12 contributes to sustainability.

13 Am I characterizing your testimony correctly?

14 A. I think you are, yes.

15 Q. Do you agree that arrearage forgiveness is

16 perhaps a next step for these clients in terms of

17 sustainability?

18 A. Ongoing forgiveness?

19 Q. Well, under the program that Laclede's, over a

20 year, they can.

21 A. To be honest, I have not -- I don't know

22 enough about the program to really -- to really give a good

23 response on that.

24 Q. There was some testimony from Mr. Cline that

25 the impact of the charge to customers that's been estimated



1 as anywhere between \$8 and \$10 a year would have very little  
2 impact.

3 Do you agree with that?

4 A. Again, I really don't know.

5 MS. SHEMWELL: Okay. Thank you, sir.

6 JUDGE RUTH: Laclede?

7 CROSS-EXAMINATION BY MR. ZUCKER:

8 Q. Good afternoon, Mr. Nash.

9 A. Good afternoon.

10 Q. My name is Rick Zucker. I'm an attorney for  
11 Laclede Gas.

12 A. Nice to meet you.

13 Q. Did I understand you to say that the income  
14 level for the weatherization program is 150 percent of the  
15 federal poverty level?

16 A. That's correct.

17 Q. And do you believe that's an appropriate  
18 level?

19 A. Yes. Yes, I do.

20 Q. You talked some with Mr. Molteni about putting  
21 plastic over windows. Is -- does plastic reduce energy  
22 consumption?

23 A. Not -- no, I don't think so.

24 Q. You don't think it reduces it at all?

25 A. No.

1           Q.       How about turning down the thermostat in the  
2 winter?  
3           A.       Turning down the thermostat, yes.  
4           Q.       How about lowering the water heater  
5 temperature?  
6           A.       Yes.  
7           Q.       In your testimony on page -- do you have it in  
8 front of you?  
9           A.       Yes, I do.  
10          Q.       On page 3, line 18, you said that according to  
11 the 2000 census in the City of St. Louis alone, there are  
12 83,388 households that are eligible for weatherization  
13 assistance at 150 percent of poverty.  
14                   Is that a number there based just on the  
15 income level?  
16          A.       Yes, it is.  
17          Q.       And that's a total number?  
18          A.       For city residents.  
19          Q.       Does that count households that may have  
20 already been weatherized?  
21          A.       Yes. Yes, I imagine it could, yes.  
22          Q.       Well, let me clarify the question. Is -- to  
23 get to the 83,388, did you subtract off the homes that have  
24 already been weatherized during the last ten years?  
25          A.       No, I did not.

1 Q. Okay. So this is a gross number?

2 A. Yes.

3 Q. Does that number -- have you subtracted -- to  
4 get that number, have you subtracted off houses that simply  
5 don't need weatherization?

6 A. No, I did not. I have rarely been to a house  
7 that do not need weatherization.

8 Q. Well, there may be some new construction.

9 A. And they need weatherization.

10 Q. Even the new construction?

11 A. Yes.

12 Q. What about -- well, let me ask this question:  
13 When they do this audit you're referring to, is that the  
14 NEAT audit?

15 A. Yes.

16 Q. N-E-A-T. And is part of that program -- does  
17 that audit tell you and the contractor what work should be  
18 done based upon a cost/benefit analysis?

19 A. Yes.

20 Q. So in other words, if it would cost, let's  
21 say, \$3,000 to fix a home and the return is only \$30 a year,  
22 the NEAT audit would most likely say don't do that?

23 A. I guess -- we would never get anything like  
24 that but, yeah, if it came up, the audit would say don't do  
25 that.

1 Q. Okay.

2 A. Like I said, we've -- we've never had anything

3 like that.

4 Q. And so the -- the 83,388, you haven't

5 subtracted off any houses that shouldn't be weatherized

6 because they don't provide a proper cost/benefit?

7 A. No, we have not.

8 MR. ZUCKER: Thank you.

9 JUDGE RUTH: Commissioner Murray?

10 COMMISSIONER MURRAY: Thank you.

11 QUESTIONS BY COMMISSIONER MURRAY:

12 Q. Good afternoon.

13 A. Good afternoon.

14 Q. Can you tell me how much energy is saved for

15 every degree that the thermostat is lowered?

16 A. No. I don't know that.

17 Q. Are you aware that it's significant?

18 A. Yes, I am aware of that, yes.

19 Q. When doing the weatherization that you do get

20 involved in, do you-- is a part of that an educational

21 process for the consumers in terms of things like that, like

22 lowering the thermostat?

23 A. Yes, it is. We have two sessions with them;

24 when they first come in there to apply for the program and

25 when the auditors comes out.

1                   A lot of the clients that we deal with,  
2 it's -- to be perfectly honest, they don't have a great  
3 understanding. They just understand hot and cold. And if  
4 they're cold they turn the thermostat up, and if they are  
5 hot, they do the opposite. So we do a lot of trying to find  
6 ways for them to make their homes comfortable at around 70,  
7 72 degrees.

8           Q.       In the winter, that high?

9           A.       Right, in the winter.

10          Q.       See, I smother when it's that hot. I keep  
11 mine at 60. I save a lot of energy.

12          Q.       Yes, you do.

13          Q.       Including my own from doing this.

14                   That's amazing, really. 72?

15          A.       Well, we try -- we try and get there, you  
16 know. It's -- you know, that's our goal.

17          Q.       And where do you get that -- where do you get  
18 that figure from? Is that a figure from a health source?

19          A.       It's -- right. It was -- I think it was  
20 President Reagan that first came out with it. He was saying  
21 68, but we couldn't go with that one, so we went a few  
22 degrees higher. We went to 72.

23          Q.       That's amazing to me. I would think that  
24 would be unhealthy even.

25          A.       No. It's -- it's -- your house can be pretty

1 comfortable at that.

2 Q. If you don't move and wear summer clothes?

3 A. Well, you can't wear summer clothes, of  
4 course.

5 Q. I think that we make a mistake by not looking  
6 at conservation in terms of realizing that people can be  
7 very comfortable at lower temperatures, especially if they  
8 get used to it. So there's no movement in that direction,  
9 then, to try to get --

10 A. Below 72?

11 Q. Yeah.

12 A. No. No.

13 Q. You must be comfortable in here, then?

14 A. Yes, I am.

15 COMMISSIONER MURRAY: All right. Thank you.

16 JUDGE RUTH: Commissioner Lumpe, do you have  
17 questions?

18 COMMISSIONER LUMPE: Yes.

19 QUESTIONS BY COMMISSIONER LUMPE:

20 Q. Mr. Nash, are most of the people you assist  
21 families, are they seniors or --

22 A. They're seniors, and there is family in the  
23 home with them. There's -- the senior may be the homeowner  
24 and a lot of times their daughter or sons are grown but  
25 still staying in the household.

1 Q. And children might be there, then, too?

2 A. Right, children. Yes, exactly.

3 Q. I was going to say, because some of us seniors

4 like it a little warmer than other people.

5 A. And they have space heaters in their rooms,

6 too.

7 Q. This senior does.

8 One of the questions, I think on page 3 of

9 your testimony, you talk about weatherizing 300 homes each

10 year using federal, state and local funding.

11 You don't get any funding from Laclede, then;

12 is that correct?

13 A. Yes, we do.

14 Q. Oh, you do?

15 A. Yes.

16 Q. So when you talk about local funding, you're

17 referring to what you might be getting from Laclede; is that

18 right?

19 A. That's correct.

20 Q. Okay. And maybe you can answer me this. Are

21 windows the largest cost -- cause of the loss of heat?

22 A. Yes. I would have to say yes to that

23 question.

24 Q. Okay. So if you were to, then, do -- fix the

25 windows, you would be taking care of a whole lot of heat

1 loss; is that correct?

2           A.       If we could -- and, again, I want to say the  
3 programs don't allow us, but if we could take out those  
4 single pane windows in those older homes and put in some  
5 triple pane or double pane windows, that would be the most  
6 efficient way to do it. A lot of times we can't -- we might  
7 can do one or two if they're really bad and rotten and we  
8 can't repair them, but most of the time we're replacing  
9 panes and all that.

10                   You'd really be shocked how many broken panes  
11 are in seniors' homes of low income. If a kid breaks in a  
12 window in the summer, they forget about it, and all they  
13 know is they have to turn the heat up.

14                   I've been to a lot of houses where they don't  
15 even turn -- the furnace -- I mean, the furnace don't even  
16 go off. You know, it would run -- I've been in houses two  
17 hours and it's -- it's blowing constantly. And, of course,  
18 that's making utility bills extremely high.

19                   COMMISSIONER LUMPE: Okay. I think that's  
20 all. Thank you, Mr. Nash.

21                   THE WITNESS: You're welcome.

22                   JUDGE RUTH: Commissioner Gaw.

23                   COMMISSIONER GAW: Thank you, Judge.

24 QUESTIONS BY COMMISSIONER GAW:

25           Q.       Mr. Nash, how are you?



1           A.       I'm good, and you?

2           Q.       I've been a little better. I've been staying  
3 out in the cold too long. Anyway, let me ask you a few  
4 questions.

5                    The people that the Urban League has helped on  
6 weatherization, do you look at the incomes of the occupants  
7 or the owners of the houses that you work on?

8           A.       We take the overall income of the owner and  
9 occupants, everyone there.

10          Q.       All right. Let's say if you live -- okay.  
11                    If your landlord has a high income but your --  
12 but the occupant has an income that qualifies, what happens?

13          A.       If it's a two-family, the renter qualifies,  
14 the landlord would not.

15          Q.       All right.

16          A.       Because it's a two family.

17          Q.       Two family. And then tell me where the line  
18 is. Where does it flip to the landlord's income?

19          A.       It does not. The landlord do not qualify. So  
20 if -- if it's a two-family and he's renting to a person that  
21 falls in the income guidelines or something, we will address  
22 that particular apartment and not do anything with his  
23 apartment.

24          Q.       I understand what you're saying, I think, but  
25 you're using two family. So I'm trying to see --

1           A.       On a two-family unit --  
2           Q.       Yeah.  
3           A.       -- where they have two doors in the house, the  
4 wall that separates, where we can do a complete audit  
5 without interfering with the other unit.  
6           Q.       Okay.  
7           A.       So when I say two-family, I mean two separate  
8 units.  
9           Q.       Well, what happens when you're in a different  
10 category? Go to a different category for me where it's not  
11 a two-family unit.  
12          A.       Well, if it's not a two-family unit, the  
13 homeowner would have to qualify, and if they have working  
14 kids and all, they would have to qualify. But keep in mind,  
15 each person that's added on to that that's living in that  
16 unit, you can tack on another \$3,000.  
17          Q.       All right.  
18          A.       So if you got -- and it's not uncommon to go  
19 into a home and there's ten people there, so that's already  
20 \$42,000 income they can have.  
21          Q.       Then again, are you looking at the occupant's  
22 income in these cases?  
23          A.       Yes.  
24          Q.       Not the landlord?  
25                    I'm talking about -- I'm trying to see whether

1 the building is owned by somebody else who doesn't live  
2 there, in my questions that I'm asking.

3 A. Okay.

4 Q. Do you see what I'm saying?

5 A. Okay. Now I do.

6 Q. And so what I'm getting at is, do you ever  
7 look at the income of that individual that actually owns the  
8 building?

9 A. No. I mean, we -- I have tried to collect --  
10 you know, get the homeowner to try and chip in and pay some  
11 monies.

12 Q. They don't do it?

13 A. Not too often. Not too often. And we hate to  
14 penalize the seniors or the family there.

15 Q. I understand.

16 A. So there are times I have been able to get  
17 funds. I try to get \$250. That's what I shoot for, but if  
18 I have to chase them down too many times, I'll just leave  
19 them alone.

20 Q. How much is the value of what you're  
21 providing, generally, when you do this weatherization?

22 A. Oh, it -- it varies. I mean, we've went to  
23 homes and we've done work that -- that could take the value  
24 up, I don't know, probably \$10, \$15,000.

25 Q. Yeah.

1           A.       I mean, if you're talking about putting in  
2 windows, it would be -- quite a few times we put in new  
3 furnaces.

4           Q.       Yeah.

5           A.       If we can't get it to work properly and  
6 safely.

7           Q.       And the landlord gets some benefit out of  
8 that, don't they, the individual that owns it?

9           A.       Well, yes, they do. But we do try to make him  
10 sign something saying that he will continue to rent to  
11 low-income individuals.

12          Q.       So you've got something in there that's trying  
13 to continue to allow this whoever that you are trying to  
14 benefit --

15          A.       Exactly.

16          Q.       -- to get a benefit from the money that you  
17 put in?

18          A.       That's exactly right. We make -- we get them  
19 to sign that paper that they're going to rent to low income,  
20 and quite often if the person -- we're constantly sending  
21 them applicants who do qualify --

22          Q.       Yeah.

23          A.       -- for his apartment for when that person  
24 leave or whatever, so yeah.

25          Q.       All right. So you're trying to get some sort

1 of a thing in there so that you're helping somebody who  
2 needs help?

3           A.       That's exactly right.

4           Q.       Okay. Have you ever heard of a program  
5 called -- it's something like pay as you save or something.

6                    Have you ever heard of that?

7           A.       Pay as you go?

8           Q.       Pay as you save.

9           Q.       Is this dealing with the utility company?

10          Q.       Yeah. I just wondered if you've ever seen any  
11 weatherization, heard of any weatherization programs like  
12 that, where there is the money that -- there's an advance  
13 made on -- on the payment of weatherization for  
14 weatherization, and then the savings difference is utilized  
15 for payment of the cost that's amortized over certain future  
16 years.

17          A.       The closest thing I've heard to that is when  
18 they were building new construction in the city -- in  
19 St. Louis City, and we'd try and get in there and weatherize  
20 those homes. And the purpose of that is if we go in there,  
21 we say we can save 30 percent on their heating cost, the  
22 mortgage company was able to get a person there of lower  
23 income, because they was taking that 30 percent, multiplying  
24 it by 12, and then they were saying that's how much more  
25 money that the homeowner did not have to pay. So they were

1 able to get people in of lower incomes to apply for the  
2 homes and actually qualify, if you understand what I'm  
3 saying.

4 Q. I think I do.

5 A. Okay. Yeah. So it's giving -- it's giving a  
6 person more purchasing power.

7 Q. Yeah.

8 A. Okay. So they can say, instead of paying --  
9 they'll do a history and they'll say, okay, this house  
10 should cost X amount of dollars to do -- to heat it up.  
11 Then we come in and we weatherize it before they get in  
12 there. Then they can take that and actually use those funds  
13 that they're saving to actually get more buying power for  
14 their money. A person of lower income can qualify.

15 Q. Okay. When you do some of your work, do you  
16 sometimes -- do you ever do anything with the heating unit  
17 itself?

18 A. The furnace?

19 Q. Yes.

20 A. Yes, we -- we always check the furnace.  
21 That's part of our health and safety.

22 Q. What if it's an old furnace, inefficient?

23 A. We'll replace it. And I shouldn't say replace  
24 it for inefficiency, but if it's not working properly. The  
25 program just -- we just don't have the funds to go and

1 replace every furnace, but we do make sure they're working  
2 properly.

3           There's been times we've seen furnaces working  
4 with 30 percent efficiency, we'll -- we'll pitch them. I  
5 mean, that's crazy. But generally what we do is, we'll go  
6 in there. We have a cleaning -- we're not qualified HVAC  
7 people, heating and cooling people. We actually bring in  
8 companies to do that, but we're there with them and we'll  
9 talk them through the process and all of that. If we see a  
10 practice change or if we go in a house and we think it's  
11 just a danger, we'll pull it out right away.

12           Q.       All right. Do you -- does the Urban League  
13 just work in the city?

14           A.       As far as weatherization, yes, but no.  
15 We're in metropolitan St. Louis, so we do St. Clair County,  
16 St. Louis County and St. Louis City.

17           Q.       But your weatherization program is just  
18 St. Louis City?

19           A.       That's correct.

20           COMMISSIONER GAW:   Thank you very much,  
21 Mr. Nash. Appreciate you spending all the time here, too.

22           THE WITNESS:   That's okay.

23           JUDGE RUTH:   Okay. We are going to take a  
24 break, 15 minutes. We'll come back at ten after three.

25           We're off the record now and we'll be back on

1 when we come back. Thanks.

2 (A BREAK WAS TAKEN.)

3 JUDGE RUTH: We had some Commission questions  
4 before we left on break, and I believe we are now ready for  
5 recross.

6 Office of the Public Counsel, would you begin?

7 MR. MICHEEL: We have no recross for Mr. Nash.

8 JUDGE RUTH: Staff?

9 MS. SHEMWELL: We have none, thank you.

10 JUDGE RUTH: Laclede?

11 MR. ZUCKER: Just a few.

12 RECROSS-EXAMINATION BY MR. ZUCKER:

13 Q. Good afternoon, Mr. Nash.

14 A. Good afternoon.

15 Q. The way this process works, I get one more  
16 shot at you.

17 A. All right.

18 Q. Commissioner Lumpe asked you about windows,  
19 and I think you said that that was the biggest cause of heat  
20 loss.

21 Did I get that right?

22 A. Yes.

23 Q. And so I have to come back to the plastic  
24 issue again.

25 You said that plastic was not good over the



1 windows. One of the reasons is, is because it can cause  
2 carbon monoxide poisoning?

3 A. That was one of the reasons.

4 Q. So what I'm wondering is, if the plastic is  
5 good enough to keep the -- to keep the windows sealed so  
6 that air can't get out, why isn't it good enough to keep the  
7 heat in?

8 A. Well, most of the programs that I have  
9 witnessed, they do not do a complete job. In our  
10 weatherization program, we do the entire unit. You know, if  
11 it's a two-family, we'll do this entire unit. If it's a  
12 house, we'll do the entire house. I have yet to see a  
13 program that has actually put plastic up to all the windows.

14 And, again, I -- I'm careful about putting up  
15 plastic because of carbon monoxide, but very few programs I  
16 know will put up plastic to 26, 27 windows, which is very  
17 common in the St. Louis City area.

18 Q. Okay. But let's say, rather than plastic on  
19 all the windows, would it not be efficient to put it, given  
20 the low cost of plastic, on some of the windows?

21 A. Some of the windows is not going to cut down  
22 on the utility costs. I mean, if you're going to -- if  
23 you're going to address utility -- cutting down on utility  
24 cost, you really need to address all of the windows, deal  
25 with all the exterior doors and check the furnace.

1           Q.       Okay.  So if you're going to fix, let's say,  
2 three windows and you want to do that in a cost-efficient  
3 manner, would it not make sense in some cases to do one or  
4 two of the windows via plastic?

5           A.       I mean, I know where you're going with this,  
6 and I -- I'm not going to agree that plastic is a -- is a  
7 good way to cut down on utility costs.  If you're saying  
8 that if you've got enough to do three windows and you put it  
9 up to three windows, it's not going to cut down utility  
10 costs, is what I'm saying.

11          Q.       I guess I'm saying that if the cost/benefit  
12 ratio doesn't justify fixing three full windows, wouldn't  
13 you still want to improve that house by fixing one or two  
14 windows and using plastic on the other one?

15          A.       I've never seen improvement -- I've never seen  
16 plastic look well on a window.  So when we talk about  
17 improvements, I can't agree with that.

18          Q.       I would agree the point isn't to make it look  
19 good.

20          A.       Okay.  So with that being said, and if you're  
21 going to -- if you have three pieces of plastic, you want to  
22 put it on three windows, I guess you can -- I don't know  
23 where you're going with that, but I don't think that's the  
24 way to cut down on utility costs.

25          Q.       Okay.  If you're weatherizing 300 homes a year

1 and you're saying a lot more need it, would plastic be a  
2 good interim solution while they're waiting for you to  
3 weatherize their home?

4           A.       Well, we have -- we have to do the health and  
5 safety before we -- you know, before we even give out the  
6 plastic, we have to do the health and safety. Plastic while  
7 they're waiting, again, I want to go back to my point of  
8 saying there's been 26, 27 windows in a home, and most of  
9 the people use pretty much their entire house. So I mean,  
10 if you're going to give them out enough for 27 windows  
11 temporarily, I guess you could say that.

12           Q.       Commissioner Lumpe asked you questions about--  
13 or asked one question about the source of funding that you  
14 get, and your testimony talks about federal, state and local  
15 funding.

16                   How much state funding do you get for  
17 weatherization?

18           A.       State, let me think for a minute. State  
19 funding. I'm thinking about 600,000 state.

20           Q.       This is from the state's own budget, as  
21 opposed to --

22           A.       Okay, then --

23           Q.       -- state passing through?

24           A.       -- no.

25                   Our federal is 600,000. I'm sorry.

1                   State, we get very little. Maybe in the  
2 neighborhood of \$10,000, something like that.

3           Q.       One other thing I wanted to ask you. You  
4 mentioned in response to a question from Mr. Gaw that you  
5 spent 15,000 on one building for weatherization.

6                   Do you recall that?

7           A.       No, that's not what I said. What I said was  
8 he -- I think he asked how much -- how much did the house --  
9 how much was the value of the house appreciated, if I heard  
10 him right, how much. And I said that it could possibly,  
11 because we put in windows, furnace and exterior doors.

12          Q.       So you were talking about the appreciation in  
13 value of the home?

14          A.       That's exactly right.

15                   MR. ZUCKER: Okay. Thank you again, Mr. Nash.  
16 Have a good trip back to St. Louis.

17                   THE WITNESS: Thank you.

18                   JUDGE RUTH: Redirect?

19 REDIRECT EXAMINATION BY MR. MOLTENI:

20          Q.       I just have very few questions for Mr. Nash,  
21 and then we'll let you get home.

22                   You heard Commissioner Murray and Commissioner  
23 Lumpe ask you questions about turning down the thermostat  
24 and turning down the water heater temperature.

25                   Do you remember that?

1           A.       Yes.

2           Q.       And you don't disagree that those are good  
3 energy practices, do you?

4           A.       No. I do agree with that.

5           Q.       But those aren't substitutes for insulating a  
6 home?

7           A.       By no means.

8           Q.       And they're not a substitute for  
9 energy-efficient appliances?

10          A.       That's correct.

11          Q.       And they're not a substitute for new  
12 energy-efficient heating and cooling equipment, are they?

13          A.       That's correct.

14          Q.       And certainly plastic isn't a substitute for  
15 any of these items that I just asked you about, is it?

16          A.       That's -- that would be correct.

17                   MR. MOLTENI: Thank you so much.

18                   I have no further questions and I want to  
19 thank everybody for allowing Mr. Nash to go out of time  
20 again.

21                   JUDGE RUTH: Okay. Mr. Nash, you are excused.

22                   You may step down and leave if you wish.

23                   THE WITNESS: Thank you.

24                   (Witness excused.)

25                   JUDGE RUTH: A few minutes before break,

1 Ms. Shemwell pointed out that I had indicated that the  
2 Commission might have more questions for Mr. Moten. And  
3 I've confirmed with the Commissioners that they do not have  
4 any more questions for Mr. Moten. He is excused.

5 But at this time I cannot say the same thing  
6 for Mr. Fallert and Mr. Cline. I may have more information.

7 MR. PENDERGAST: They're overjoyed to hear  
8 that.

9 JUDGE RUTH: I may have an answer for them  
10 later this afternoon, but at this time they're not excused.

11 Okay. I believe we are ready to go back to  
12 Ms. Meisenheimer. Earlier we had completed the direct and  
13 the rebuttal; is that correct?

14 MR. COFFMAN: Yes, your Honor.

15 JUDGE RUTH: Then we will begin with DNR's  
16 cross-examination, except -- did he step out of the room?

17 MS. SHEMWELL: He probably stepped out with  
18 his witness.

19 JUDGE RUTH: The audience has indicated that  
20 Mr. Molteni does not have cross-examination for this  
21 witness, so we will move on to Laclede.

22 Oh, there he is.

23 MR. MOLTENI: I apologize. No cross.

24 JUDGE RUTH: No cross. Okay.

25 Laclede, your turn.

1                   MR. SWEARENGEN: Thank you.

2 BARBARA A. MEISENHEIMER testified as follows:

3 CROSS-EXAMINATION BY MR. SWEARENGEN:

4           Q.       Good afternoon, Ms. Meisenheimer. How are you

5 today?

6           A.       Fine. How are you?

7           Q.       Where did you say you set your thermostat?

8 I'm just kind of curious.

9           A.       In my part of the house, I set it very low.

10          Q.       What's that? What's very low?

11                   I'm taking a poll here today.

12          A.       I'm -- I'm probably below 65 most of the time.

13          Q.       How about Mr. Coffman, do you know where he

14 sets his?

15          A.       No, but he's indicating low. He's whispering.

16 I hear him. So I'll share that.

17          Q.       Thank you.

18                   Let me say first, before I get into my line of

19 questions, I thought that the rebuttal testimony that you

20 presented this morning with Mr. Coffman's help went a long

21 way toward clarifying the issues, I think, that separate

22 Laclede from the Office of the Public Counsel. And I'm

23 going to plow some of that same ground this afternoon with

24 you, so I apologize if I'm asking you to repeat some of the

25 things that you said this morning. But let's just go ahead

1 with that, if we could.

2                   If you could -- do you have a copy of your  
3 testimony in front of you?

4           A.       Yes, I do.

5           Q.       Would you turn to page 6, please?

6           A.       I'm there.

7           Q.       And lines 11, 12 and 13, you make the  
8 statement that the Public Counsel would not oppose the  
9 implementation of the more limited arrearage plan on an  
10 experimental basis, provided that certain conditions are  
11 adopted by the Commission and required of Laclede. And then  
12 you go on in your testimony and attempt to set out those  
13 conditions, the conditions that you indicate you would like  
14 to see made a part of the program; is that correct?

15          A.       Yes. I indicate there was a "however" before  
16 Public Counsel would not oppose.

17          Q.       Right.

18          A.       Okay.

19          Q.       And I think this morning you had -- in your  
20 conversation with Mr. Coffman you attempted to refine those  
21 issues somewhat further, and I think that was very helpful.

22                   And based on that and to further capsulize, or  
23 as my good friend Mr. Micheel likes to say to perhaps unpack  
24 your testimony a little bit, I have prepared an exhibit that  
25 I would like to have marked at this time, if I could, and



1 then walk you through that.

2 JUDGE RUTH: Would be 14. Can you describe it  
3 for my records, please?

4 MR. SWEARENGEN: It's entitled Public Counsel  
5 Position/Laclede Position.

6 (EXHIBIT NO. 14 WAS MARKED FOR IDENTIFICATION  
7 BY THE REPORTER.)

8 MR. SWEARENGEN: Excuse me, Judge. What  
9 number did you say was assigned to this?

10 JUDGE RUTH: 14, I've marked it as.  
11 BY MR. SWEARENGEN:

12 Q. Ms. Meisenheimer, you have in front of you  
13 what has been marked for identification as Exhibit 14, a  
14 document entitled Public Counsel Position/Laclede Position.  
15 And at the top of that document is the statement which came  
16 out of your testimony which I just read into the record a  
17 minute ago. And then down the left-hand side I've tried to  
18 set out my understanding of the conditions that the Public  
19 Counsel has requested be imposed on this program, based on  
20 your direct testimony.

21 In the second column I have attempted to list  
22 what I understand to be Laclede's position, and then in the  
23 third column I have attempted to reference where in Exhibit  
24 13, which is the Laclede specimen tariff, that the effort by  
25 Laclede to satisfy your concerns is found.

1                   And I thought perhaps maybe the best way to  
2 work through would be to take each item from the top down  
3 and we can have a discussion about that, if that's okay.

4           A.       I have -- can I make a comment about this  
5 document that's just been put before me --

6           Q.       Yes.

7           A.       -- with a lot of text in it?

8           Q.       Sure.

9           A.       Okay. This is the first I've seen of this  
10 document, although I've been sitting here all day long and  
11 would have been happy to look at it in advance. I would  
12 more properly characterize this as Laclede's  
13 characterization of Public Counsel's --

14          Q.       That's fine.

15          A.       -- position.

16                   And even in the first quote, although  
17 certainly that is a piece of the question, once again there  
18 was "however" at the beginning of that paragraph.

19          Q.       That's fine. We can certainly add that word  
20 if that would make you happy. We can put "however" in front  
21 of that quote mark. That's fine.

22          A.       I wouldn't mind taking a couple minutes just  
23 to look at it myself to make sure I think it's exhaustive.

24          Q.       That's fine, and I was going to ask you that.  
25 And the way I was going to work through, if it's okay, is

1 just is to start out with the first one and ask if that  
2 continues to be a concern that the Office of the Public  
3 Counsel has; that is, designate the program as experimental  
4 with a specific termination date corresponding to the next  
5 rate case.

6                   Is that a correct characterization of one of  
7 the Public Counsel's concerns about the program?

8           A.       It is true that we do believe it should be  
9 considered experimental in the event that the Commission  
10 chooses to move forward with such a program despite our  
11 concern over the funding mechanism.

12          Q.       Right.

13          A.       Okay. As far as the cites to my testimony, I  
14 can take a minute and verify --

15          Q.       Sure. Would you do that, please?

16          A.       -- that those are accurate.

17          Q.       Sure.

18          A.       I mean, given that these aren't direct quotes  
19 and they are Laclede's characterization, I -- I feel that my  
20 testimony includes more description of why we prefer those  
21 things.

22          Q.       I understand that. What I'm just trying to do  
23 is identify what the issues are and try to see which ones,  
24 perhaps, that Laclede has addressed to your satisfaction and  
25 which ones remain.

1                   With respect to the termination date  
2 corresponding to the next rate case, what is your  
3 understanding of when that might be?

4           A.       Well, I believe that I discuss that in my  
5 testimony. And I need to check the other cite that  
6 you have here. In my testimony on page 12, at lines 4  
7 through 5, I have a recommendation that the program end on  
8 March 31st, 2004, and that the offsets end in September or  
9 September 30th of 2004.

10                   I believe that is aligned with Laclede's  
11 earliest opportunity to file a rate case in April of 2004.

12           Q.       And when would a rate case filed in April of  
13 2004 in the normal course of events be decided?

14                   Do you have any idea?

15           A.       In the normal course of events, that could be  
16 settled through a stipulation of the parties. It could also  
17 be settled through the full-blown, I believe, 11-month  
18 process.

19           Q.       And looking back at Exhibit 14, if you would,  
20 for a minute please, over to the right of where your  
21 condition is set out, we have something entitled Laclede's  
22 position, Laclede agrees to a termination date but believe  
23 that the program should operate and be tested at least three  
24 full winter seasons.

25                   Is that your understanding of Laclede's

1 position on this condition that you would seek to impose?

2           A.       Generally, it's also my understanding that  
3 Laclede would be quite happy for this program not to have a  
4 specific termination date and, in fact, be ongoing and have  
5 any party that wanted to propose it be ongoing, have that.

6           Q.       Is it your understanding that Laclede has  
7 attempted to address this particular point in its specimen  
8 tariff, Exhibit 13?

9           A.       Yes. And I think that earlier when I talked  
10 about that, I may have had the -- a problem with the dates  
11 that I'd mentioned regarding the paragraph 6 terms of the  
12 program. I think I had --

13          Q.       And you're looking at paragraph 6?

14          A.       The last page.

15          Q.       The last page of Exhibit 13; is that correct?

16          A.       Yes.

17          Q.       Would you agree with me that in paragraph 6 on  
18 sheet No. 28-k, which is part of Exhibit 13, that Laclede  
19 has attempted to address your concern about a termination  
20 date?

21          A.       The company may have attempted. It was not --  
22 it did not entirely eliminate my concern.

23          Q.       And then that's my next question. What is  
24 necessary, what further change would you propose to this to  
25 take care of your concern?

1           A.       I think that I discussed some of that earlier  
2 in rebuttal. In paragraph H, part little H, I'd indicated  
3 that I thought that the words "ongoing" --  
4           Q.       Can we focus just for a minute on  
5 paragraph No. 6? Are there any changes that you think need  
6 to be made to that paragraph?  
7           A.       Yeah, and I -- this would be -- March 31st,  
8 2004 would be, I believe, the program parameter that we had  
9 proposed.  
10          Q.       Okay.  
11          A.       And September 30th, 2004.  
12          Q.       Thank you. Any other changes to that  
13 paragraph?  
14          A.       I would also eliminate the wording "however,  
15 prior to termination any party including the company may  
16 seek an extension of the program."  
17          Q.       And why would you make that suggestion?  
18          A.       I think it's extraneous.  
19          Q.       You don't -- by eliminating that, are you  
20 suggesting that the parties should not be allowed to seek an  
21 extension of the program?  
22          A.       I think that if Laclede believes at the time  
23 that it's likely to file its next rate case at -- at the  
24 soonest, at the earliest, that if the company believes the  
25 program has been a success and believes that it can

1 reasonably demonstrate that, then the company can certainly  
2 propose that that program be reestablished.

3           I don't think that it is appropriate to go  
4 into the next potential rate case assuming that the program  
5 has been a success without gathering data, evaluating that  
6 data and all parties beginning on an equal footing to look  
7 at the success of that program.

8           Q.       Would it be your recommendation that the  
9 program terminate on a date certain, I think you indicate in  
10 March of 2004, and not be extended, and then perhaps be  
11 started up again at a later time?

12                   Is that your view?

13           A.       Yes, that is -- that is possible under what I  
14 had considered for the plan. I mean, one potential outcome  
15 would be that there would be settlement, and if, in fact, it  
16 turned out that the program was viewed as a success by all  
17 the parties that might be involved in that settlement  
18 process, then I think in terms of heating season to heating  
19 season, which is when really it seems to me -- I think  
20 that the last payment to someone would be potentially  
21 September 30 of 2004. And so potentially there could be  
22 something new in place by that heating season.

23           Q.       Could you foresee a situation where you might  
24 find it to be in the public interest to continue the  
25 program, whether or not a rate case has been held?

1           A.       Since we object to the current funding  
2 mechanism, if there were a total rate case settlement, then  
3 I think a new package could be in place if -- if it's  
4 determined to be a success within the --

5           Q.       Let's assume that there isn't a rate case  
6 in the time period required to renew the program by  
7 September 30 of 2004. Would someone, perhaps your office,  
8 believe that it might be in the public interest to continue  
9 the program nonetheless?

10                   Do you think that the parties or that your  
11 office should be restricted from having the opportunity to  
12 seek such an extension?

13           A.       I wouldn't foresee us doing that, since we  
14 believe the funding mechanism is inappropriate.

15           Q.       So it would be your opinion that in any event  
16 this program ought to terminate in 2004, regardless of what  
17 you might think about it at that point in time?

18           A.       I cannot foresee circumstances where we would  
19 be -- I -- I shouldn't lock us into a legal position, since  
20 I'm not an attorney.

21           Q.       Okay. That's fine. That's fair enough.

22                   Let me ask you while we're on that page,  
23 sheet 28-k, I seem to recall from this morning that you had  
24 some other suggested changes to some language on that sheet.

25                   Do you recall what those might have been?



1                   For example, I think up in that first line,  
2 small G, there was the word "and" that you wanted taken out;  
3 is that right?

4           A.       Yes.

5           Q.       Okay.

6           A.       And I certainly in 4 regarding the accounting,  
7 we have concerns regarding the 6 million. We don't agree  
8 that \$6 million, in the event the Commission chooses to move  
9 forward, is an appropriate number.

10                   I mean, what I would like to say about my  
11 comments here is that this is not a laundry list of each  
12 Public Counsel concern with this tariff. This is my  
13 evaluation of -- at the time that I was talking to  
14 Mr. Coffman of what the company agreed to, versus what's on  
15 this paper.

16          Q.       Right. I understand that.

17          A.       Okay.

18          Q.       And I appreciate that.

19                   Let's turn to the second point, the arrearage  
20 reduction equal to the lesser of one-fourth of the  
21 customer's arrearage or \$375. That's the second point on  
22 Exhibit 14.

23                   And that was one of the concerns that you  
24 expressed in your direct testimony; is that correct?

25          A.       Yes.

1           Q.       And in the next column it's indicated that  
2 Laclede agrees with that condition, and the reference to it  
3 in the tariff is tariff sheet 28-1, paragraph H3D.  
4           Excuse me. I said 28-1 and I stand corrected.  
5 That should be 28-i.  
6           A.       So this Exhibit 14 needs to be changed?  
7           Q.       Right.  
8           A.       Okay.  
9           Q.       The reference should be 28-i.  
10          A.       Okay. With respect to this difference, I see  
11 that you have included Laclede's position as that the  
12 company agrees with this condition.  
13          However, as I discussed earlier with  
14 Mr. Coffman, I did not believe that that is what the  
15 language in section H, part B actually captured, if that's  
16 your position, that arrearage reduction per quarter be equal  
17 to the lesser of.  
18          Q.       And I understood that this morning that you  
19 wanted the words "not to exceed" to be stricken from that  
20 paragraph B and the word "the" inserted instead; is that  
21 correct?  
22          A.       Yes. And so if Laclede's position is that it  
23 agrees with that change to its new modified tariff, then I'm  
24 glad to hear that. I'd like to see a sample tariff that has  
25 it in there.

1 Q. Sure. We don't want to get too many sample  
2 tariffs out there. Mr. Micheel said this morning that he  
3 was getting confused.

4 A. That's why it's best to do it right the first  
5 time.

6 Q. That's right.

7 Let's go on, then, to the third item, the  
8 lower-income threshold for participation. That continues to  
9 be one of the conditions that you seek; is that correct?

10 A. Let me check your cite there. It is true that  
11 Public Counsel, in the event the Commission chooses to move  
12 forward with the program, that that participation level be  
13 at 125 percent of the federal poverty guideline as a maximum  
14 for the participation in the arrearage offset.

15 Q. And Laclede in the next column has indicated  
16 it agrees to a reduction of 150 percent for the first year  
17 and 175 percent for subsequent years.

18 So that would continue to be an issue between  
19 the Public Counsel and Laclede; is that right?

20 A. Yes. Would you be interested in why I have a  
21 concern with that or --

22 Q. Sure.

23 A. -- did you just want to go through it?

24 Q. No. That's fine. Go ahead and tell me.

25 A. Okay. Initially I believe what Laclede

1 proposed on July 29th was a program that would fund at  
2 150 percent. With the new filing of the tariff on  
3 September 23rd, the company introduced the concept of  
4 raising that threshold, that income threshold up to  
5 175 percent.

6                   So Laclede, now agreeing to go back to where  
7 it originally started -- I mean, No. 1, I'm not sure what  
8 the basis is, if the company actually believed that there  
9 was true need there to begin with, why the company would be  
10 willing to make such a compromise.

11                   And No. 2, I don't view this new position as  
12 any movement toward Public Counsel's position, relative to  
13 what the company showed to our office, including myself,  
14 initially when it brought in the concept of  
15 Catch-Up/Keep-Up.

16           Q.       With respect to the next item, item 4, the  
17 reduction in the uncollectibles and cost of service, that  
18 was one of the issues which you raised, one of your  
19 conditions; is that correct?

20           A.       Let me verify the cites. Can you tell me what  
21 page of the exhibit, and maybe we can move this along a  
22 little faster?

23           Q.       Sure. 28 --

24           A.       Exhibit 13?

25           Q.       It's 28-k, tariff sheet 28-k.

1           A.       In the event Laclede has accepted the previous  
2 change that I would have made to this to eliminate the  
3 ongoing nature, as opposed to the reestablishment, then --  
4 then, I think, would be more consistent or at least this  
5 particular paragraph would be consistent. Laclede's  
6 position would be consistent.

7           Q.       If Laclede would be willing to strike the word  
8 "ongoing" in paragraph H, which they're willing to do, that  
9 would solve your problem?

10          A.       That would solve my problem with that  
11 paragraph of the tariff. I believe that I had maybe a  
12 concern elsewhere that the program was kind of characterized  
13 as being an ongoing. So given that any other references  
14 like that were also adjusted within the tar-- you know,  
15 within the tariff, then that would go toward satisfying  
16 Public Counsel's concerns.

17          Q.       Okay. Thank you.

18                   I think the next one is Commission approval of  
19 contract between Laclede and participating agencies; is that  
20 correct?

21          A.       Well, I think that that's a simplification.  
22 Public Counsel suggested that the contract language be made  
23 available to the Staff, the Office of the Public Counsel and  
24 other interested parties, in particular interested parties  
25 like DNR, to the extent, you know, that they would have an

1 interest in reviewing the potential contract language.

2 I -- I sure would have liked to have seen at  
3 least some kind of specimen contract or sample well in  
4 advance of now.

5 Q. Over there in the next -- in the middle column  
6 where it states Laclede's position, as indicated, Laclede  
7 agrees that the Staff and Public Counsel may review the  
8 contracts, and that is referenced on Exhibit 13 on tariff  
9 sheet 28-n, paragraph H3; is that your understanding?

10 That's the first page of the exhibit  
11 paragraph 3's at the bottom.

12 A. Okay. And your -- I mean, the tariff language  
13 indicates the written contracts executed to administer the  
14 program shall be subject to review by the Staff and the  
15 Office of the Public Counsel.

16 Q. Let me ask you this: Does that satisfy your  
17 concern on that particular point?

18 A. Without seeing samples of the language in  
19 advance, no, it does not.

20 Q. This morning I think you indicated that there  
21 was some concern on the part of Public Counsel that Laclede  
22 would be funded for this program but contracts would not be  
23 in place, and as a consequence, Laclede would get the money  
24 but wouldn't have any means of distributing it the way it's  
25 intended to be distributed under the program.

1                   And I would call your attention to Laclede's  
2 position on that, the language which indicates that Laclede  
3 won't fund the program until a contract or contracts are in  
4 place.

5           A.       Where is that in the tariff?

6           Q.       It's not in the tariff, and the reason it's  
7 not in the tariff is because we didn't hear about this from  
8 you until this morning and, of course, the tariff was  
9 prepared prior to that.

10          A.       And -- and, you know, I -- I would  
11 certainly -- I certainly wouldn't suggest that that is an  
12 exhaustive list of the things that we have a concern about,  
13 absent being able to see some type of contract language in  
14 advance for our review and having the opportunity to comment  
15 in a meaningful way.

16          Q.       Well, what do you mean, in a meaningful way?

17          A.       Well, Public Counsel has in the past given  
18 Laclede suggestions -- in fact, I believe I gave Laclede  
19 some suggestions regarding the Catch-Up/Keep-Up plan. Those  
20 aren't always adopted by the company, and so in that event,  
21 what is meaningful opportunity for comment by Public Counsel  
22 is the opportunity to comment to the Commission and to seek  
23 a Commission decision --

24          Q.       So you would --

25          A.       -- in the event that the company doesn't agree

1 with our position.

2 Q. So you would anticipate that perhaps another  
3 round of hearings as a possibility before we file a  
4 Commission decision allowing this program to go forward?

5 A. I believe that had the company brought forward  
6 contract language in advance, we could be addressing that in  
7 this proceeding.

8 Q. So that obviously continues to be an issue  
9 between the company and Public Counsel?

10 A. I -- I believe that it does, yes.

11 Q. Let's turn to the next one, the recordkeeping  
12 requirements. Laclede has -- indicates on Exhibit 14 that  
13 it agrees with that condition and has attempted to address  
14 that on tariff sheet 28 and also on Tariff Sheet 28-j1.

15 Is that your understanding?

16 A. It is my understanding that Laclede's position  
17 is they believe they've addressed our concerns with this.  
18 My position is that this is not sufficient to address the  
19 concerns that Public Counsel raised.

20 And I'm happy to talk about that also.

21 Q. Sure. I wish you would.

22 A. Okay. Earlier when I was on the stand, I  
23 indicated that in the event that the Commission, No. 1,  
24 decided against our primary recommendation not to approve  
25 because of the funding mechanism, if they decided to go



1 ahead and approve a program for arrearages and if they  
2 decided that something above the threshold income levels for  
3 funding that we had recommended, which was 125 percent, were  
4 adopted, that is if the Commission chose, say, for example  
5 150 or 175 percent of poverty, then, in fact, data should be  
6 collected at reasonable increments relative to the poverty  
7 level, so that in the future parties would be able to  
8 evaluate or to at least make arguments regarding whether  
9 they felt that the program was truly addressing the needs of  
10 the group that they felt the program ought to be targeting.

11                   And certainly the need is probably the  
12 greatest below the poverty level or closer to the poverty  
13 level than it is taking it all the way up to 175, which  
14 exceeds most all of the low-income assistance programs that  
15 I am familiar with.

16           Q.       So if I understand what you're saying is, is  
17 that to whatever extent the Commission approves the program  
18 and whatever level that they might adopt, that there should  
19 be conditions in the tariff that provide for recordkeeping  
20 at those levels.

21                   Is that basically what you're saying?

22           A.       That is one of my points with respect to  
23 recordkeeping requirements. Also, the other concern that I  
24 had -- and I'd appreciate the opportunity to talk about  
25 that.

1 Q. Sure. Go ahead.

2 A. -- is that the contracts that will set forth

3 the process by which this money is transferred, distributed,

4 monitored, maintained, information maintained, all of those

5 kind of details, if I knew what those terms were going to be

6 in advance, what those agreements might look like in

7 advance, then I would be able to tell you whether I have a

8 concern and whether I feel it is appropriate for additional

9 recordkeeping to be done with respect to those aspects of

10 the operation of the program.

11 So I still have a lot of concerns, but I can't

12 even tell you what they are, because I haven't seen what the

13 interaction between agencies and Laclede is going to be.

14 Q. Okay. The next item, reduce recoverable

15 administrative cost to 5 percent of funding cap, and is it

16 your understanding as indicated on Exhibit 14 that Laclede

17 agrees with that and has attempted to reflect that in the

18 tariff on page 28-j?

19 A. I do agree that -- and I -- I need to check

20 the cite real quickly. It is my understanding that Laclede

21 agrees with the condition that you have listed and

22 characterized as Public Counsel's conditions. However, I do

23 not agree that that is an accurate description of Public

24 Counsel's conditions.

25 Q. What is an accurate description of Public

1 Counsel's position?

2           A.       An accurate description of Public Counsel's  
3 position was that administrative cost should be allowable at  
4 the 5 percent level, and in the event that the company  
5 believes the program required more in administrative costs,  
6 that the company should put together a plan.

7                   And, once again, that is something that I  
8 think it would have been appropriate for the company to come  
9 in with in advance of now, so that we could take a look at  
10 that plan and make recommendations with respect to that  
11 plan.

12                   But in any event, Public Counsel did not cap  
13 the administrative funding, although I understand now that  
14 Laclede has -- has taken the position that a 5 percent cap  
15 is something they'll agree with.

16           Q.       And does that agreement on the part of Laclede  
17 satisfy your concerns on this point?

18           A.       I mean, certainly we would have liked an  
19 opportunity to look at was -- what type of need was there  
20 for administrative cost. However, Laclede hasn't brought  
21 anything forth to tell us that that number needs to be  
22 higher. So I guess that we could probably settle for that  
23 level, in the event the Commission chooses to move forward  
24 with the program, despite our objections.

25           Q.       Okay. Thank you.

1                   And then the last item is the funding amount.  
2 And there obviously continues to be a difference of opinion  
3 on that; is that correct?  
4           A.       Well, once again, I feel compelled to look at  
5 the cites.  
6           Q.       I wish you would.  
7           A.       Okay. I would probably change this  
8 description to annual arrearage offset in the amount of  
9 \$2.588 million.  
10          Q.       Okay.  
11          A.       And I don't know whether Laclede's going to  
12 agree to that or not. I believe our position was a  
13 contribution of up to \$300,000 for weatherization,  
14 specifically through the program that was approved. And let  
15 me get the case number. I think there was some discussion  
16 earlier about that. I'd like to build that in, because  
17 that's where we think would be appropriate for the money to  
18 go.  
19                   Here it is. GR-2001-629.  
20          Q.       Could you state that again, please?  
21          A.       GR-2001-629.  
22          Q.       And, again, what is that case?  
23          A.       I believe it was a Laclede rate case that was  
24 settled.  
25          Q.       And the significance of that for purposes of

1 the weatherization program is?

2           A.       I believe that is where Laclede's  
3 weatherization program that has input from DNR and oversight  
4 by DNR. And certainly the next witness is going to be able  
5 to talk more about that. This is the up to 300,000, and I  
6 believe he can also talk more about the appropriateness of  
7 the 300,000. We feel that that is -- up to that amount  
8 would be okay.

9                   I think that -- I think around the line 7, 8  
10 and 9 are the correct area of my testimony regarding that  
11 last bullet point. I heard earlier from a Laclede witness  
12 that, in fact, the specific program that I mentioned from  
13 Case GR-2001-629 was also where they were agreeing that the  
14 300-- 300,000 contribution would go to for weatherization. I  
15 heard Laclede agree to 5 percent of the funding cap.

16                   Now, 28-j, I believe that Laclede did agree to  
17 the modification of paragraph H, part E on sheet 28-j to add  
18 established in GR-2001-629. So, in fact, that would be  
19 addressed.

20                   I mean, I generally agree that this is my  
21 understanding what Laclede has modified its position to in  
22 this round.

23           Q.       Let me ask you this question: Back on the  
24 weatherization issue, in your reference to Case GR-2001-629,  
25 are you familiar with the weatherization program tariffs

1 that were filed as a result of that proceeding?

2           A.       I'd have to say, sitting here, I'm not  
3 prepared to talk about those.

4           Q.       Do you know whether or not in the context of  
5 those tariffs there was a provision that as a term of its  
6 contract with the agencies, Laclede agrees that it and the  
7 agencies would consult with the Staff and the Public Counsel  
8 and the Department of Natural Resources and any other party  
9 during the term of the program?

10          A.       You can show me that and I'll be happy to  
11 verify that I agree that it's there.

12          Q.       Sure.

13                   MR. SWEARENGEN: May I approach?

14                   JUDGE RUTH: Yes.

15                  THE WITNESS: I recognize that part 4 on this  
16 page says that as a term of its contract with the agencies,  
17 the company agrees it and the agencies will consult with the  
18 Staff, Public Counsel, Department of Natural Resources and  
19 any other party agreeable -- or any other party agreeable to  
20 accompany Staff and Public Counsel during the term of the  
21 program.

22                   I can't tell you sitting here what that means  
23 or that ensures in terms of that party's position and their  
24 ability to argue what they think is appropriate.

25                   MR. SWEARENGEN: Thank you.

1                   That's all I have. Thank you.

2                   JUDGE RUTH: Staff, do you have

3 cross-examination?

4                   MS. SHEMWELL: Thank you, Judge.

5 CROSS-EXAMINATION BY MS. SHEMWELL:

6           Q.       Good afternoon, Ms. Meisenheimer.

7           A.       Good afternoon.

8                   MS. SHEMWELL: I don't believe that Exhibit 14

9 was --

10                  JUDGE RUTH: It was not offered.

11 BY MS. SHEMWELL:

12           Q.       May I refer to it anyway, Ms. Meisenheimer?

13                   If you would look, there's -- at the bottom

14 item of 300,000 for weatherization, I think DNR made the

15 point that they would like to see the method of distributing

16 the funds for the weatherization included in the tariff.

17                   Is that something you would agree should be

18 included in the tariff?

19           A.       That the language indicating that that money

20 would flow to that specific program?

21           Q.       And the mechanism.

22           A.       And the mechanism, sure. One of the primary

23 things that I think I've been saying since I've been on the

24 stand a couple of times so far today is that there are

25 specific terms of what contracts might be entered into, that

1 it would be appropriate, potentially, to put some parts in  
2 the tariff and certainly to at least have the parties have  
3 an opportunity to comment on whether they felt those were  
4 appropriate.

5                   So I agree with DNR that it would be  
6 appropriate, probably, to put some level in the tariff.  
7 And, once again, I -- you're referring me to something that  
8 hasn't been marked as an exhibit --

9           Q.       No, it's been --

10                   JUDGE RUTH: It's been marked for  
11 identification purposes as Exhibit 14. It was not offered  
12 or received into the record at this point.

13                   THE WITNESS: Okay. My comments regarding how  
14 it should be labeled, I would simply reiterate those.

15 BY MS. SHEMWELL:

16           Q.       Thank you.

17                   I keep getting the impression from Laclede  
18 that if they make enough concessions, OPC's going to be okay  
19 with this program. Is that a correct impression?

20           A.       We continue to have a problem with the funding  
21 mechanism. We do not believe it is an appropriate funding  
22 mechanism. Fundamentally those are legal arguments that  
23 are -- attorneys are here to make. I'm not an attorney.

24           Q.       What's OPC's proposed funding mechanism?

25           A.       OPC believes that what -- the best way to



1 address low-income needs would be in the context of a rate  
2 case, and we do not envision necessarily the proper  
3 mechanism to only include some kind of arrearage offset that  
4 may or may not provide any long-term benefit to low-income  
5 customers.

6           Instead, we would like the opportunity to  
7 bring forward something that we think is a more holistic  
8 approach. We've done that in the past, and we have been  
9 active in proposing low-income programs and we'd like full  
10 participation in that process.

11       Q.       When you use the term "holistic," what do you  
12 mean by that?

13       A.       In my personal opinion, I believe that the  
14 proper way to address low-income concerns is to -- and  
15 the -- design something that provides potentially a benefit  
16 to the entire body of ratepayers, is to look at something  
17 that, No. 1, addressed the fundamental issue of how did  
18 consumers get behind in the first place, and that was that  
19 their rate was unaffordable when that rate was multiplied by  
20 usage.

21           Well, there's a couple of components there.  
22 One, can you address the usage? The other, can you address  
23 the rate? Which of those contributes to a customer's  
24 inability to pay and, therefore, getting behind?

25           So addressing the rate through potentially

1 looking at, is it appropriate to have a low-income rate, is  
2 there a legal basis for having a low-income rate. I think  
3 within the context of a rate case, you can look at all that.  
4 You can't change a rate outside of a rate case and be  
5 consistent with the consideration of all relevant factors.

6           Then, on the other side, there's the issue of  
7 usage. If I want to consider usage and ways to make a  
8 customer's usage at a level that is more affordable to them  
9 in terms of its final impact on the bill, you can look to a  
10 good weatherization program. Certainly, also, there may be  
11 a place for arrearage reduction.

12           Now, whether arrearage reduction means  
13 arrearage forgiveness or simply is there a way to  
14 restructure the payment of arrearages to where those do not  
15 place such a burden on the customer at the worst time, I  
16 mean, I know of some variation in design. Can you move  
17 arrearage repayment to the summer, where potentially it's  
18 less much an impact on those customers? Could you spread it  
19 over a longer period of time?

20           And if, in fact, you've also combined  
21 arrearage forgiveness with a lower rate that is affordable  
22 to low income customers, lower the energy burden of the  
23 combined payment the customers makes, in fact, can you allow  
24 the customer to help make up a portion, not only of new  
25 charges that are reasonable given their income level, but

1 also empower them to help pay off some of that arrearage?

2 Q. May I summarize perhaps and you can tell me if  
3 I'm right?

4 A. Please do.

5 Q. That you'd like to see a multi-pronged  
6 approach to affect sustainability?

7 A. I think that's a fair statement. I think  
8 Public Counsel has proposed something like that in the past.

9 Q. Were you here for Mr. Fallert's testimony  
10 yesterday?

11 A. I was here for at least part of it. So I may  
12 be able to answer questions.

13 Q. Well, I was going to ask you, did anything he  
14 said yesterday change your mind about the level of funding?  
15 I think specifically he said that the level of arrearages is  
16 approximately \$1,000, and that he would suggest that, I  
17 believe, as an input into your calculation to determine the  
18 level of funding.

19 Do you agree with that?

20 A. I cannot agree with that. I -- I sought  
21 information from the company throughout this process of  
22 reviewing these tariffs. I've sought information from the  
23 company regarding the level of arrearages that exist,  
24 regarding the portion of the population which is, in fact,  
25 low income, and then, even further, what subset of low

1 income are actually in arrears, how does that compare to the  
2 total population of customers and what percentage are in  
3 arrears?

4                   Much of the information Laclede did not have  
5 for the length of time that I was interested in finding out  
6 for, because certainly arrearages are something you probably  
7 want to look at over some period of time.

8                   I mean, we've heard claims about what's left  
9 over from the really cold winter. We'd like to know what  
10 times of the year are people most susceptible to being in  
11 arrears and potentially cut off from service. Does it fall  
12 close to the winter where they really are going to need to  
13 be on the system the most, those types of things.

14                   So anyway, I tried get as much data as I  
15 could. I worked up numbers that I thought leave plenty of  
16 leeway, and I do not -- based on what I heard him discuss  
17 yesterday regarding what he based that adjustment on, I  
18 don't think there's a basis for -- there's nothing that I've  
19 seen in writing that I can look at to provide to you a  
20 detailed list of what I think is wrong with that  
21 calculation.

22                   But in general, my understanding of what he  
23 said was that Laclede is interested in taking the worst-case  
24 scenario number and multiplying that by what I believe is a  
25 high estimation of the potential participation in this

1 program. So what you have is a highest number times a  
2 number that I think is higher than what is even potentially  
3 ballpark reasonable.

4           So I don't think our number needs to be  
5 changed. In addition, this program in theory is going to  
6 take customers and put them on a track where now, going  
7 forward, they're going to be making timely payments. That  
8 means that every customer that signed up, if the program is  
9 truly affordable and manageable, as Laclede claims it's  
10 going to be, they shouldn't need to be on the program past  
11 the time their arrearage exists.

12           The average low-income customer, based on the  
13 numbers that I looked at and certainly there was a -- there  
14 was a difference over whether it was an active account or a  
15 final account, but in any event, the active customers had an  
16 arrearage on average in the \$200 to \$212 neighbor and that  
17 was the very maximum for months and months. At \$375 under  
18 what the company would propose, the average customer's  
19 arrearage is wiped out in the first payment.

20           Under Public Counsel's -- we believe that if  
21 the Commission wants to move forward with the program, it is  
22 reasonable to meet the goals of the program better by, in  
23 fact, instilling a longer-term good-payment habit. So we  
24 said it should be the lesser of one-quarter or \$375 of the  
25 arrearage.

1                   So ours would take that payment out to the end  
2 of the first year for the average customer at \$200 for that  
3 low-income customer. In fact, the average arrearage is even  
4 lower for the total base of customers Laclede has, if you  
5 blend in all customers, not just those receiving heating.  
6 And I think I gave the number in my testimony, it was  
7 something like \$168.

8                   So in other words, this program should wipe  
9 out a whole lot of arrearage if it really works the way  
10 it's supposed to in the first year.

11                  Well, then you've got a pot of money still  
12 sitting there in the second year. We didn't say, gee whiz,  
13 you don't need to fund up to the same amount the following  
14 year, for a couple of reasons.

15                  No. 1, we did have the recognition, we did  
16 hear public -- people at the public hearings that indicated  
17 that they had very large amounts, amounts that were going to  
18 be unmanageable unless they had significant help. And that  
19 might take more -- even at \$375 every quarter, that was  
20 going to take more to clear up than one year to clear up.  
21 So that's why we didn't say, let's shrink the program the  
22 second year, even though I believe it could be appropriate  
23 to do so.

24                  Also, let's say the program isn't the success  
25 that Laclede says it's going to be, and then, in fact, the

1 potential that I see for it to be a revolving door for  
2 low-income customers comes true. If the Commission agrees  
3 or believes that it should have some type of program for a  
4 while, at least 'til there's new opportunity to review, then  
5 this puts something into place that second year to get you  
6 to the next rate case where maybe you can look at a more  
7 appropriately designed program.

8 I think I'm done.

9 Q. Thank you.

10 You have recognized that customers have  
11 arrearages and Laclede has repeatedly claimed that there's  
12 an immediate need for arrearage forgiveness.

13 Wouldn't your suggestion that the Commission  
14 wait until the next rate case delay meeting that need?

15 A. Yes, it will delay meeting a need that exists,  
16 but it won't impose a new burden that doesn't currently  
17 exist. That is, currently pipeline discounts flow through  
18 to all customers, including the low-income customers. The  
19 Laclede program, as proposed, would take money out of the  
20 pockets of not just those of us who make \$50,000 a year or  
21 more; it would take money out of the pockets of the same  
22 customer base that the program was designed to target but  
23 might never reach.

24 There's a huge percentage of customers that  
25 qualify for assistance that never take it. Why, maybe

1 because there's a stigma associated with taking public  
2 assistance. Maybe they don't know about the program,  
3 whatever the reason might be. These customers may be faced  
4 with a new burden until the time of the next rate case if  
5 the company's allowed to move forward with the plan.

6 Q. Thank you.

7 Does office -- in the last rate case, in  
8 Laclede's most recent rate case, Office of the Public  
9 Counsel is the one that promoted the moratorium that was  
10 accepted.

11 Do you-all have an opinion as to whether or  
12 not this proposal violates the moratorium?

13 A. We do not believe -- and, once again, I'm not  
14 an attorney. We do not believe that the funding mechanism  
15 is appropriate. This is not a gas supply incentive plan  
16 from my perspective. Based on my experience working with  
17 incentive design, I believe that it -- in my opinion, this  
18 does adjust -- does change a factor that affects a rate.

19 Q. You mentioned your experience with gas supply  
20 incentive plans.

21 MS. SHEMWELL: If I could have this marked  
22 please. Exhibit 15.

23 JUDGE RUTH: Yes.

24 MS. SHEMWELL: Rebuttal testimony of Barbara  
25 Meisenheimer from the --



1 JUDGE RUTH: Can I see it?

2 MS. SHEMWELL: Of course.

3 JUDGE RUTH: I'll read into the record, the  
4 title is the rebuttal testimony of Barbara A. Meisenheimer,  
5 Case No. GR-2002-356, and I will mark it as Exhibit 15.

6 (EXHIBIT NO. 15 WAS MARKED FOR IDENTIFICATION  
7 BY THE REPORTER.)

8 BY MS. SHEMWELL:

9 Q. Could you please identify this document for  
10 the record?

11 Can you identify the document for the record?

12 A. This appears to be a copy of testimony that I  
13 filed in GR-2002-356.

14 MR. SWEARENGEN: Your Honor, at this time I  
15 would like to make an objection to any questions about this  
16 rebuttal testimony of this witness in another proceeding. I  
17 think we've been pretty patient this afternoon and allowed  
18 the Staff counsel to ask a lot of questions that went way  
19 beyond the scope of this witness' direct testimony, but --  
20 in an interest to accommodate everybody, we allowed that to  
21 go on.

22 But I think the time has come to say that this  
23 certainly is not a proper cross-examination of this witness.  
24 It clearly borders on what we commonly refer to as friendly  
25 cross-examination, an effort to bolster the record, to

1 introduce additional evidence to support the Staff's  
2 position in this case through another witness, and that's  
3 highly inappropriate.

4                   So I would ask that the Commission not allow  
5 any further questions about this rebuttal testimony, as it  
6 exceeds the proper scope of cross-examination.

7                   Thank you.

8                   JUDGE RUTH: And so the basis of your  
9 objection is because it's friendly cross being used to  
10 bolster the witness' testimony; is that it?

11                  MR. SWEARENGEN: It's -- it's not proper  
12 cross-examination. I mean, she's not cross-examining the  
13 witness on the witness' direct or rebuttal testimony. She's  
14 attempting to supplement the record with this -- with this  
15 witness, bringing in testimony that's not been previously  
16 filed in this case, and that's just highly inappropriate.

17                  JUDGE RUTH: You may respond, Ms. Shemwell.

18                  MS. SHEMWELL: First of all, I'd point out  
19 536.070, sub 7, which says that evidence to which an  
20 objection is even sustained shall be -- nonetheless be  
21 heard.

22                  Also, under Commission Rules 240-2.130, sub 1,  
23 it refers to 536.070, and under sub 2, it says that a  
24 witness may be cross-examined on any issue.

25                  Certainly, Ms. Meisenheimer's rebuttal

1 testimony from the rate case was filed with the Commission.  
2 I believe it's completely relevant, as Laclede is claiming  
3 that this is a GSIP, and certainly it's relevant to the  
4 proceeding whether or not it's a GSIP.

5 MR. SWEARENGEN: Your Honor, if I could  
6 respond to that?

7 I mean, this testimony --

8 MS. SHEMWELL: I'm not quite through.

9 JUDGE RUTH: Okay. Let's let Ms. Shemwell  
10 finish and --

11 MR. SWEARENGEN: I'm sorry.

12 JUDGE RUTH: -- I will give you another  
13 response.

14 MS. SHEMWELL: Friendly cross, of course, is  
15 not really an objection that's legally based. In addition,  
16 the Order we are actually shown is the most averse to Office  
17 of the Public Counsel. So we -- our positions don't  
18 necessarily agree.

19 JUDGE RUTH: Mr. Swearengen, you want to  
20 respond?

21 MR. SWEARENGEN: Well, if this rebuttal  
22 testimony that's been marked was filed as part of her direct  
23 testimony, the witness' direct testimony in this case, it's  
24 news to me. We certainly weren't served with this.

25 So this testimony clearly is not proper

1 testimony upon which the Staff attorney can cross-examine  
2 this witness. So I would object on that basis.

3                   We've been given no notice whatsoever. This  
4 witness didn't file it. Staff attorney's attempting to  
5 introduce additional evidence into the record through this  
6 witness, which is inappropriate. If Staff wanted to put  
7 this into evidence, the Staff should have found some way to  
8 do it directly.

9                   MS. SHEMWELL: If I misstated, this was filed  
10 in Laclede's rate case. The content of this testimony  
11 should be of no surprise to Laclede at all.

12                  MR. SWEARENGEN: It certainly wasn't filed in  
13 this case.

14                  MR. COFFMAN: Your Honor?

15                  JUDGE RUTH: Public Counsel, you have  
16 something to add?

17                  MR. COFFMAN: I think Ms. Shemwell's right.  
18 What sometimes has been called in our forum friendly cross  
19 is not a recognized federal rules of evidence objection.  
20 Sometimes -- it's used, I think, sometimes when someone  
21 believes that cross-examination is actually direct  
22 testimony.

23                  Frankly, I don't know where Ms. Shemwell is  
24 going with this. If there's an objection to the form of a  
25 question, I would expect the objection to go to a particular

1 question. No question has yet been asked about this  
2 particular document.

3           As for the use of testimony filed in previous  
4 cases, that's a very common practice before the Commission  
5 to prove various points. Again, I don't know where this is  
6 going, but I would suggest that the Bench could make a  
7 ruling based on a particular question, which has not yet  
8 been asked, and note that there are differences between the  
9 positions of the Office of the Public Counsel and the  
10 Commission Staff.

11           There are things that we probably agree on,  
12 but I don't know whether the question to be asked would  
13 address things that we differ on or things that we're in  
14 agreement, or whether it would be inappropriate until that  
15 question is phrased.

16           MR. SWEARENGEN: Well, it's certainly common  
17 to use the testimony of a witness in another proceeding to  
18 impeach that witness in an ongoing proceeding, but that  
19 obviously is not what's going on here, given the line of  
20 earlier cross-examination which we tolerated in the spirit  
21 of being cooperative. But now we're at the point where this  
22 is going to continue, and I just don't think it's  
23 appropriate. And I'm objecting on that basis.

24           JUDGE RUTH: Okay. I want to hear  
25 specifically what question you want to ask, and I don't want

1 the witness to answer until I've heard the question. If I  
2 sustain the objection, I will allow Staff to make an offer  
3 of proof, if you wish.

4 MS. SHEMWELL: I'm going to ask --

5 JUDGE RUTH: And could you tilt your  
6 microphone down, please?

7 MS. SHEMWELL: -- about page 8 where --  
8 perhaps some others, but specifically page 8 where the --  
9 Ms. Meisenheimer, in that case, listed what the attributes  
10 are of a carefully designed gas supply incentive program.

11 MR. SWEARENGEN: And, once again, that's not  
12 testimony in this proceeding. That's testimony in some  
13 other proceeding, and it's -- she's trying to cross-examine  
14 the witness on testimony the witness filed in some other  
15 case, not for purpose of impeachment but for purposes of  
16 bolstering the record. And that's improper.

17 That's improper use of this testimony.

18 MS. SHEMWELL: It's -- it's certainly relevant  
19 to this case.

20 JUDGE RUTH: I'm going to sustain the  
21 objection, but I will allow you to make your offer of proof,  
22 if you want to, beginning now.

23 MS. SHEMWELL: Well, all I can say is I  
24 believe it's relevant because Laclede is calling this a gas  
25 supply incentive plan.

1                   Ms. Meisenheimer has described the attributes  
2 of a gas supply incentive plan, and my intention is to ask  
3 whether or not she thinks that this qualifies as an  
4 incentive plan as Laclede has testified it does.

5                   JUDGE RUTH: Could you repeat that last part,  
6 please?

7                   MS. SHEMWELL: Well, since she's testified  
8 about the attributes of a gas supply incentive plan, I'm  
9 trying to decide -- or get her to say whether or not she  
10 believes that this program meets the criteria that she has  
11 listed for a properly designed incentive plan. I certainly  
12 think it's relevant, because they've described this as a  
13 GSIP.

14                  MR. SWEARENGEN: But that's testimony that's  
15 been offered in another proceeding that she wants to ask her  
16 about.

17                  MS. SHEMWELL: I don't see why that's a  
18 problem when this has been filed with the Commission. The  
19 Commission can take notice of testimony that's filed in  
20 another case.

21                  MR. SWEARENGEN: No, they can't.

22                  MS. SHEMWELL: Sure, they can.

23                  MR. SWEARENGEN: I don't think so.

24                  JUDGE RUTH: I'm sorry. What did you say,  
25 Mr. Swearengen?

1                   MR. SWEARENGEN: I said I don't believe that  
2 that's something the Commission can take official notice of.  
3                   MS. SHEMWELL: I believe it's --  
4                   JUDGE RUTH: Because of using it in this  
5 instance or an offer?  
6                   MR. SWEARENGEN: She can make an offer of  
7 proof if you want to, but I thought you ruled on the  
8 objection.  
9                   JUDGE RUTH: I did, but I was interested in  
10 the aside comment that you made.  
11                  MR. SWEARENGEN: I don't think that the  
12 Commission can take administrative notice of testimony in  
13 prior cases.  
14                  JUDGE RUTH: Simply because here it's an  
15 allegedly friendly witness or in any instance?  
16                  MR. SWEARENGEN: In any instance. I think the  
17 parties can agree to that, but that's not what you take  
18 administrative notice of. You take administrative notice of  
19 things such as reports and orders and decisions, things of  
20 that sort.  
21                  JUDGE RUTH: Now, I have made my ruling. I  
22 sustain the objection.  
23                  You have started an offer of proof. I don't  
24 believe you finished. You can do that in a question and  
25 answer form or continue your narrative, or you may feel that



1 you've stated enough.

2 otherwise, I'll ask you to move on.

3 MS. SHEMWELL: Well, I would just point out

4 536.070 that says even if you sustain an objection, the

5 testimony may be heard and preserved in the record, unless

6 it's wholly irrelevant, and I think I've shown that it's not

7 wholly irrelevant.

8 JUDGE RUTH: True. And that's what I meant by

9 the offer of proof. You may go ahead and ask the questions

10 to preserve it for the record, but I have sustained the

11 objection.

12 BY MS. SHEMWELL:

13 Q. Ms. Meisenheimer, can we look at page 8 of the

14 document that you've identified?

15 On that page, do you describe the attributes

16 of a carefully designed incentive plan?

17 A. These are the attributes that were developed

18 through the Natural Gas Commodity Price Task Force.

19 Q. So if we looked at that, instead of your

20 testimony, might that provide the same list?

21 A. I'm not sure that it's a word-for-word match.

22 Q. Let's look at that anyway.

23 A. The task force report?

24 Q. Uh-huh. Let's look -- since Laclede has

25 objected to use of your testimony, let's look at the task

1 force report.

2 JUDGE RUTH: Okay. Help me. Where are we  
3 looking at now?

4 We're not looking at what was marked for  
5 identification as Exhibit 15? We're finished with that.

6 MS. SHEMWELL: I'll bring one up if I can find  
7 it. I may have to make copies.

8 MR. ZUCKER: I have it, Lera.

9 JUDGE RUTH: Can you show it to me and we'll  
10 get the copies later?

11 MS. SHEMWELL: Of course.

12 JUDGE RUTH: I'd like, for the record, a copy  
13 to be marked for identification purposes and we'll address  
14 as we go on whether this gets admitted or not. But you have  
15 handed me the final report of the Natural Gas Commodity  
16 Price Task Force in GW-2001-398.

17 BY MS. SHEMWELL:

18 Q. Ms. Meisenheimer, do you have a copy?

19 A. Yeah. Yes, I do. I heard it mentioned  
20 earlier and thought I'd better bring my copy.

21 Q. If we turn to page 50, at the bottom, under  
22 Section VI, do you see the recommended parameters for  
23 incentive design?

24 A. Yes. This is the list that was developed by  
25 the task force, and I contributed significantly to this

1 section and drafted it for the task force.

2 Q. Who else contributed?

3 A. We had numerous participants. It was a  
4 collaborative process and very productive. Gas companies  
5 participated. Department of Natural Resources participated.  
6 Staff of the Public Service Commission participated, our  
7 office, and there were members of the public that were  
8 invited to participate and did, and other interested  
9 parties. Representation from the Legislature and others.

10 There's a list, I believe, in the task force  
11 report of all who participated.

12 Q. As you look through that list, do you agree  
13 that the currently designed program, the Catch-Up/Keep-Up  
14 plan, contains these recommended parameters?

15 MR. SWEARENGEN: Now, your Honor, I'm going to  
16 object to whatever the recommended parameters might be in  
17 this report, which was not filed as part of the direct or  
18 rebuttal testimony of this witness. It's not -- once again,  
19 it's not a proper subject for cross-examination of this  
20 witness.

21 JUDGE RUTH: Would you like to respond?

22 MS. SHEMWELL: I think Ms. Meisenheimer has  
23 pretty much presented herself as someone who's an expert on  
24 what a GSIP is, and I think it's perfectly reasonable to ask  
25 her about this case and whether or not it contains the

1 elements of what she considers to be a properly designed  
2 incentive plan.

3 MR. SWEARENGEN: And my response would be  
4 that's not something this witness addressed in her direct  
5 testimony. If the Public Counsel wanted to put that in, the  
6 Public Counsel had the opportunity to do that either on  
7 direct or rebuttal and chose not to do so, and now we have  
8 the Staff counsel, for whatever reason, attempting to  
9 bolster the record through this witness.

10 And the Staff could have filed this if they'd  
11 wanted to. So I'm going to object. It's improper  
12 cross-examination.

13 MR. COFFMAN: Your Honor, I don't believe this  
14 is improper cross-examination to the extent that it wasn't  
15 the subject of direct testimony. Missouri Administrative  
16 Procedures Act specifically notes that cross-examination  
17 does not have to be limited to the scope of direct  
18 testimony.

19 MS. SHEMWELL: The specific citation is  
20 536.070, sub 2.

21 JUDGE RUTH: Slow down, 536.

22 MS. SHEMWELL: .070, sub 2.

23 JUDGE RUTH: Is this what you were referring  
24 to, Mr. Coffman?

25 MR. COFFMAN: I believe that's the statute. I

1 don't have it in front of me. But the law's very clear that  
2 that is not a basis to object to cross-examination, being  
3 that it was not the subject of direct testimony.

4               There may be another objection, but that --  
5 that one in an administrative hearing is not valid.

6               JUDGE RUTH: We're going to go off the record  
7 for three or four minutes. I want to pull up the statute  
8 and take a look at it. You-all may want to get a copy of  
9 it, too. I suggest you stay in the room. I don't think  
10 we'll be off the record long.

11              MS. SHEMWELL: Judge?

12              JUDGE RUTH: Let's go ahead and take an  
13 official five-minute break. I would like to get back  
14 promptly at a quarter 'til, so that we can get a few more  
15 minutes in before the end of the day.

16              (A BREAK WAS TAKEN.)

17              JUDGE RUTH: We are back on the record. We  
18 took a short break.

19              I've pulled up my copy of 536.070, and for  
20 those of you that don't have a copy that you can look at  
21 right now, I'm going to read part of paragraph 2.

22              Each party shall have the right to call and  
23 examine witnesses, to introduce exhibits, to cross-examine  
24 opposing witnesses on any matter relevant to the issues,  
25 even though the matter was not the subject of direct

1 examination, to impeach any witness, regardless of which  
2 party first called him to testify, and to rebut the evidence  
3 against him.

4               Now, Laclede has objected to this current line  
5 of questioning on the basis that it was not the subject  
6 matter of direct.

7               Do you have any other objection?

8               MR. SWEARENGEN: I also objected on the basis  
9 that it was not filed as part of the direct testimony, which  
10 is required, as I understand it, by the Commission's own  
11 rules, which clearly are designed to prevent this type of  
12 conduct, this type of surprise. The idea is to get all the  
13 testimony out in front on the table so the parties know what  
14 they're dealing with.

15              And in this particular case, we went a little  
16 bit beyond that by allowing oral rebuttal testimony, which  
17 seemed to work pretty well, but now I think we're over the  
18 edge and clearly in violation of the Commission rule that  
19 requires that your testimony is supposed to be prepared and  
20 filed ahead of timeso that there's no element of surprise.

21              And that's exactly what's going on here.  
22 We're seeing documents, testimony from other cases, and this  
23 witness is put up to sponsor those through the guise of  
24 cross-examination. I just think it's improper, a violation  
25 of Commission rules.

1 JUDGE RUTH: Okay.

2 MR. SWEARENGEN: And the other point that I

3 made earlier, while you might be able to use these documents

4 to impeach this witness, that's not what's going on here.

5 JUDGE RUTH: Back to the objection you just

6 had a minute ago that it's unfair surprise. I understand

7 where you're coming from there to a certain extent.

8 Would a brief recess and allow the parties to

9 look at this tomorrow so you've had a chance to read over

10 this testimony help you any or does that --

11 MR. SWEARENGEN: Well, I haven't had an

12 opportunity to cross-examine her. My time for cross is

13 gone, so . . .

14 JUDGE RUTH: And if I allowed you to recross

15 based on this?

16 MR. SWEARENGEN: It might.

17 JUDGE RUTH: It might.

18 MS. SHEMWELL: Judge, a brief recess would

19 also allow me to make the correct number of copies, so maybe

20 that's a good idea.

21 JUDGE RUTH: Since it's ten to five, I think

22 we will go ahead, go off the record.

23 Before we do, let me state that this is where

24 we're going to take up. At this point, I'm inclined to

25 allow this line of questioning to continue, but on a

1 question-by-question basis as to what point any relevance is  
2 outweighed by the lack of probative value or the fact that  
3 it has been offered at such a late date.

4           So like I said, we're going to address it  
5 question by question tomorrow morning. Please have all the  
6 copies, then, ready to go.

7           MS. SHEMWELL: Thank you.

8           JUDGE RUTH: We will start at 8:30.

9           Are the parties available tomorrow all day?  
10 We had discussed this briefly earlier in the week since the  
11 hearing was originally scheduled to end today. We mentioned  
12 that we might continue on Wednesday and Thursday.

13           MR. MICHEEL: Your Honor, Mr. Coffman is not  
14 available tomorrow, but I'll just take over for this  
15 witness. But I just want leave from the Commission --  
16 usually we don't change, you know, attorneys in the middle  
17 of a witness, but would it be okay?

18           And I think I've talked to Mr. Pendergast, and  
19 I guess I haven't talked to Mr. Molteni.

20           MR. MOLTENI: I'm the easiest one to deal with  
21 of all the lawyers here.

22           MR. MICHEEL: Well, Mr. Pendergast told me it  
23 wasn't a problem, and with your leave, that's what we would  
24 do.

25           Mr. Coffman has some things that he has to do



1 tomorrow, and I can take over. You know, I can do this, the  
2 recross.

3 JUDGE RUTH: Are the other parties available  
4 tomorrow?

5 MR. PENDERGAST: Yes, your Honor.

6 MS. SHEMWELL: Wednesday's not the problem.

7 JUDGE RUTH: Okay. Well, Wednesday's a slight  
8 problem for me.

9 What we'll do is, we will take a lunch break  
10 from 12:30 to 2:30. I know that's two hours instead of one  
11 hour, but I have not yet been able to rearrange a prior  
12 commitment. But we'll start back up at 8:30 in the morning,  
13 take a long lunch break, and then keep going.

14 Now, Thursday you've mentioned that you would  
15 be available in the afternoon, Staff?

16 MS. SHEMWELL: Actually, Staff has prepared  
17 this training program. Certainly that can --

18 JUDGE RUTH: Is that in the morning?

19 MS. SHEMWELL: It is in the morning, and it --  
20 certainly if we think we can get through in the afternoon, I  
21 know they would appreciate being able to go forward with it.  
22 You know, it's a Commission training program. However --

23 JUDGE RUTH: Well, I'll let you-all talk about  
24 that and offer a suggestion, but if we don't finish  
25 Wednesday, I'm available Thursday, but not Friday. And then

1 we would be looking at next week.

2 MR. COFFMAN: Your Honor, I -- at this point,  
3 I'd have to ask what would be the contingency, assuming we  
4 go so long, with regard to Briefs, Findings of Fact,  
5 Conclusions of Law?

6 JUDGE RUTH: Well, we'll have to change the  
7 dates. And I had mentioned that earlier, and I'd be glad --  
8 I don't have the procedural schedule in front of me. Does  
9 someone else? I mean, I can tell you that's suspended.

10 MR. COFFMAN: I believe the current date is  
11 the 9th, Monday.

12 JUDGE RUTH: Right. And I can tell you that's  
13 suspended. I'm going to bump it up by however many days we  
14 go long, unless the parties agree to shorten that a little  
15 bit.

16 In other words, by going tomorrow, it would be  
17 at least the 10th before the Briefs would be due. If we go  
18 one day late, then the Briefs will be due one day later. If  
19 we go two days later, they'll be due approximately two days  
20 later.

21 MS. SHEMWELL: I thought the Briefs were tied  
22 to the availability of the transcript.

23 JUDGE RUTH: The transcript hasn't been a  
24 problem. In fact, yesterday's transcript has already been  
25 filed.

1                   Now, I had not asked the current court  
2 reporter to have hers available tomorrow, so it won't be,  
3 but it will be available by the 5th. And I had talked to  
4 the court reporter about getting expedited for whatever days  
5 that we keep going.

6                   We're off the record.

7                   WHEREUPON, the hearing was recessed until  
8 December 4, 2002.

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