

Exhibit No.:

Issues: Tariff Issues

Witness: James M. Russo

Sponsoring Party: MO PSC Staff

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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

FILED³

JUN 21 2004

DIRECT TESTIMONY

Missouri Public
Service Commission

OF

JAMES M. RUSSO

**AQUILA, INC. D/B/A AQUILA NETWORKS MPS
AND AQUILA NETWORKS L&P**

CASE NO. GR-2004-0072

**Jefferson City, Missouri
January 2004**

exhibit no. 52
Date 3-30-04 Case No. GR-2004-0072
Reporter KF

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

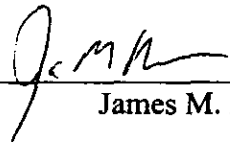
In the Matter of Aquila, Inc. d/b/a Aquila)
Networks - MPS and Aquila Networks - L&P)
Natural Gas General Rate Increase)

Case No. GR-2004-0072

AFFIDAVIT OF JAMES M. RUSSO

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James M. Russo, of lawful age, on his oath states: that he has participated in the preparation of the following written testimony in question and answer form, consisting of 21 pages of testimony to be presented in the above case, that the answers in the following written testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



James M. Russo

Subscribed and sworn to before me this 5th day of January, 2004.



Notary Public

DAWN L. HAKE
Notary Public - State of Missouri
County of Cole
My Commission Expires Jan 9, 2006

My commission expires _____

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DIRECT TESTIMONY

OF

JAMES M. RUSSO

AQUILA INC. d/b/a/

AQUILA NETWORKS-MPS AND

AQUILA NETWORKS-L&P

CASE NO. GR-2004-0072

Q. Please state your name and business address.

A. James M. Russo, P.O. Box 360, Jefferson City, Missouri 65102.

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

A. I am a Regulatory Auditor IV with the Missouri Public Service Commission (Commission).

Q. Please describe your educational background and other qualifications.

A. I graduated from California State University-Fresno, Fresno, California, and received a Bachelor of Science degree in Accounting. Prior to my employment with the Commission, local elected officials in county government employed me in various capacities. I was the Assistant Treasurer-Tax Collector for San Joaquin and El Dorado Counties in California. My responsibilities included all financial dealings of the counties and all accounting activities of the agency. In addition, I was the Supervising Accountant Auditor in El Dorado County for two years. My division was responsible for internal audits of all county agencies, special districts, and franchise/lease agreements.

Q. What has been the nature of your duties with the Commission?

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1 A. From April 1997 to December 2001, I worked in the Accounting
2 Department of the Commission, where my duties consisted of directing and assisting with
3 various audits and examinations of the books and records of public utilities operating
4 within the State of Missouri; under the jurisdiction of the Commission. On
5 December 16, 2001, I assumed the position of Regulatory Auditor IV in the Energy
6 Tariffs/Rate Design Department where my duties consist of analyzing applications,
7 reviewing tariffs, and making recommendations based upon these evaluations.

8 Q. Have you previously filed testimony before this Commission?

9 A. Yes. A list of cases in which I have filed testimony before this
10 Commission is attached as Schedule 1 to my Direct Testimony.

11 Q. With reference to Case No. GR-2004-0072, have you made an
12 examination and study of the proposed tariff sheets filed by Aquila Networks (Aquila or
13 Company) doing business as Aquila Networks-MPS (MPS) and Aquila Networks-L&P
14 (L&P)?

15 A. Yes, I have.

16 Q. What is the purpose of your Direct Testimony?

17 A. The purpose of my Direct Testimony is to present the Commission Staff's
18 (Staff) position relating to the filing of the proposed tariff sheets, interest paid on
19 customer deposits, late payment fees and miscellaneous tariff rate issues by Aquila.

20 **Deposit Interest Rate**

21 Q. What is the Staff's recommendation regarding the interest rate the
22 Company should pay on customer deposits?

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1 A. The Staff recommends that the annual applicable interest rate should be
2 one percentage point above the prime rate published in the Wall Street Journal on the last
3 December business day of the prior year with the exception that would be required by
4 Commission rule. This approach is consistent with the Commission's rule regarding
5 telephone utilities (4 CSR 240-33.050) and has previously been approved by the
6 Commission for Laclede Gas Company, The Empire District Electric Company, and
7 Union Electric Company, d/b/a AmerenUE (electric).¹ Staff has recently recommended
8 and all parties have agreed to this treatment for Union Electric Company, d/b/a
9 AmerenUE in its current natural gas rate case, Case No. GR-2003-0517. This approach
10 is consistent with the Staff's proposal in the Company's electric Case NO. ER-2004-034.

11 Q. What would be the currently effective interest rate based on Staff's
12 proposal?

13 A. The Staff's proposal would result in an interest rate of 5.25%. This equates
14 to one percentage point above the prime rate of 4.25% effective on the last business day
15 of December 2002, as published in the Wall Street Journal.

16 Q. What is the current prime rate?

17 A. The current prime rate, as of December 18, 2003, is 4.00%. If the prime
18 rate remains at 4.00% through the end of December, the Staff's proposal would result in a
19 5.00% interest being paid on customer deposits in 2004.

20 Q. What interest rate does Aquila currently pay on customer deposits?

¹ For AmerenUE, the rate of interest applicable in each year is one percentage point above the prime rate published in the Wall Street Journal as being in effect on the last business day of November of the prior year.

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1 A. The Aquila Networks-L&P tariff currently provides for a fixed rate of
2 interest of 6.00% on customer deposits. The Aquila Networks-MPS tariff currently
3 provides for a fixed rate of interest of 9.50% on customer deposits.

4 Q. Is there a financial impact of adopting this proposed change?

5 A. Yes. The Staff's determination of MPS's and L&P's revenue shortfall
6 incorporates this proposed change in the interest paid on customer deposits and is
7 described in the Direct Testimony filed by Staff witness Lesley Preston of the Auditing
8 Department.

9 **Tariff Sheets**

10 Q. What is your understanding on why Aquila filed these proposed tariff
11 sheets?

12 A. The primary reasons for the filing of these tariff sheets is to merge the two
13 separate tariffs for the Company's MPS and L&P Divisions into one identical tariff,
14 while incorporating the proposed changes filed in the current rate case proceeding. In the
15 majority of changes the Company used the MPS tariff as a model and merged the L&P
16 tariff into this document. The proposed tariff changes will make it easier on the
17 Company, Staff, the Company's customers and other interested parties by having
18 identical tariff language for both of the Company's operating divisions.

19 Q. Have you reviewed the proposed tariff?

20 A. Yes I have. The majority of the changes were simple word changes such
21 as replacing the individual division name with the word Company. In addition, many
22 changes were simple rewrites of existing language that changed the existing L&P tariff to
23 match the wording of the MPS tariff, or, clarified the existing tariff language. I have not

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1 discussed these changes in this Direct Testimony unless they significantly changed the
2 meaning of the existing tariff language.

3 Q. What changes were made to the rate class called general service
4 customers?

5 A. The rate class for general service customers was eliminated for both
6 divisions of the Company and renamed as small commercial firm service and small
7 volume firm service for each division. The Company has created the two classes based
8 on the volume of gas used annually. The MPS division is labeled with an "M" and the
9 L&P division is labeled with an "L" following the service description abbreviation after
10 the words "rate schedule". For example, MPS small commercial firm service would be
11 called "rate schedule SCF-M".

12 Q. Please describe the proposed tariff changes on Sheet 9, titled Small
13 Commercial Firm Service Rate Schedule SCF-M.

14 A. The proposed service is available to all non-residential firm customers
15 with annual usage less than 5,000 Ccf. In addition, the proposed charges for the service
16 are identified in two parts consisting of a customer charge and energy charge. Proposed
17 tariff language has also been added identifying the minimum monthly bill as the customer
18 charge. This proposed section is covered by the rules and regulations.

19 Q. Please describe the proposed tariff changes on Sheet 10, titled Small
20 Volume Firm Service Rate Schedule SVF-M.

21 A. The proposed service is available to all non-residential firm customers
22 with annual usage of at least 5,000 Ccf but less than 40,000 Ccf's. In addition, the
23 proposed charges for the service are identified in two parts consisting of a customer

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1 charge and energy charge. Proposed tariff language has also been added identifying the
2 minimum monthly bill as the customer charge. This proposed section is covered by the
3 rules and regulations.

4 Q. Please describe the proposed tariff changes on Sheets 11 and 12, titled
5 Large Volume Firm Gas Service Rate Schedule LVF-M.

6 A. The Company has existing volumes for Large Volume Firm Service
7 annual usage of 150,000 Ccf's for the MPS division. The proposed tariff sets the annual
8 volume of usage for the Large Volume Firm Service customers to a minimum of 40,000
9 Ccf's.

10 Q. Are there any other changes in the proposed tariff for Large Volume Firm
11 Gas Service Customers Rate Schedule LVF-M?

12 A. Yes. The language for contracts Under Large Volume Firm Sales Service
13 Natural Gas Service in the existing MPS tariff on sheets 6 thru 9 have been eliminated
14 and replaced with language referring to the Company's gas agreements found on their
15 website.

16 Q. Please describe the proposed tariff changes on Sheets 13 and 14, titled
17 Large Volume Interruptible Gas Service Customers Rate Schedule LVI-M.

18 A. The Company presently requires annual usage in excess of 150,000 Ccf's
19 for the MPS division. The proposed tariff would set the annual usage to a minimum of
20 40,000 Ccf's. In addition, the language for contracts under Large Volume Interruptible
21 Sales Service in the existing MPS tariff on sheets 12 thru 15 have been eliminated and
22 replaced with language referring to the Company's gas agreements found on their
23 website.

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1 Q. Please describe the proposed tariff changes on Sheet 15, titled Residential
2 Service Rate Schedule RS-L.

3 A. The proposed tariff section is completely rewritten to mirror the language
4 in the MPS division, with the exception of proposing a customer charge that is \$5 less per
5 month. The proposed paragraphs addressing availability, monthly rate, minimum
6 monthly bill and rules and regulations are new for the L&P Division.

7 Q. Please describe the proposed tariff changes on Sheet 16, titled Small
8 Commercial Firm Service Rate Schedule SCF-L.

9 A. The proposed tariff section is written to mirror the language of the MPS
10 division, with the exception of proposing a customer charge that is \$5 less per month and
11 decreasing the proposed energy charge by \$0.0555 per Ccf from the rate that is currently
12 in effect. The proposed service is available to all non-residential firm customers with
13 annual usage that is less than 5,000 Ccf. In addition, the proposed charges for the service
14 are identified in two parts consisting of a customer charge and energy charge. Proposed
15 tariff language has also been added identifying the minimum monthly bill as the customer
16 charge. This proposed section is covered by the rules and regulations.

17 Q. Please describe the proposed tariff changes on Sheet 17, titled Small
18 Commercial Firm Service Rate Schedule SVF-L.

19 A. The proposed tariff section is written to mirror the language of the MPS
20 division, with the exception of proposing a customer charge that is \$10 less per month
21 and decreasing the proposed energy charge by \$0.0205 per Ccf from the rate that is
22 currently in effect. This proposed service is available to all non-residential firm
23 customers with a minimum annual usage of 5,000 Ccf but no more than 40,000 Ccf's

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1 annual usage. In addition, the proposed charges for the service are identified in two parts
2 consisting of a customer charge and energy charge. Proposed tariff language has also
3 been added identifying the minimum monthly bill as the customer charge. This proposed
4 section is covered by the rules and regulations.

5 Q. Please describe the proposed tariff changes on Sheets 18 and 19, titled
6 Large Volume Firm Gas Service Rate Schedule LVF-L.

7 A. The proposed tariff section is completely rewritten to mirror the language
8 in the MPS Division, with the exception of proposing a customer charge that is \$15 less
9 per month and decreasing the proposed energy charge by \$0.00290 per Ccf from the rate
10 that is currently in effect. The paragraph titled Contract is new language for the L&P
11 Division.

12 Q. Please describe the proposed tariff changes on Sheets 20 and 21, titled
13 Large Volume Interruptible Gas Service Rate Schedule LVI-L.

14 A. The proposed tariff section is completely rewritten to mirror the language
15 in the MPS division, except the proposed customer charge is \$15 less per month and the
16 proposed energy charge is \$0.00290 per Ccf less per month. The paragraph titled
17 Contract is new language for the L&P Division.

18 Q. Please describe the proposed tariff changes on Sheets 22 thru 27, titled
19 Transportation Service Natural Gas.

20 A. The proposed tariff changes essentially rewrote the existing L&P tariff to
21 mirror the MPS tariff. In addition, changes were made to bring this tariff section into
22 compliance with the other proposed transportation rate classes in the tariff. The word

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1 "end-user" was added throughout the section, typically in front of the word "aggregator",
2 further clarifying who is covered by this service.

3 Q. Please describe the proposed tariff changes on Sheets 28 thru 30, titled
4 Transportation Service Rate Schedule SVTS-M.

5 A. This proposed tariff section changes the availability to customers whose
6 individual annual usage is at least 5,000 Ccf, but less than 40,000 Ccf. It is currently
7 available to customers in the existing MPS tariff whose annual usage does not exceed
8 150,000 Ccf. The existing section referring to Lost and Unaccounted for gas has been
9 deleted to bring this section into compliance with the recently completed generic
10 Purchased Gas Adjustment (PGA) Clause case, Case No GO-2002-452.

11 Q. Please describe the proposed tariff changes on Sheets 31 and 32, titled
12 Transportation Service Rate Schedule LVTS-M.

13 A. This proposed Transportation Service Rate Schedule is a new class of
14 service. It is available for non-residential end-users whose annual individual usage is
15 anticipated to equal or exceed 40,000 Ccf. The mandatory charges, security, General
16 Rules, Regulations, Terms and Conditions and Taxes paragraphs are identical to the
17 proposed language within the Transportation Service Rate Schedule LVTS-M.

18 Q. Please describe the proposed tariff changes on Sheets 33 thru 35, titled
19 Transportation Service Rate Schedule SVTS-L.

20 A. The proposed tariff section is identical to the Transportation Service Rate
21 Schedule SVTS-M language in the MPS division, with the exception of proposing a
22 end-user charge that is \$10 less per month and decreasing the proposed delivery charge
23 by \$0.0205 per Ccf from the rate that is currently in effect.

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1 Q. Please describe the proposed tariff changes on Sheets 36 and 37, titled
2 Transportation Service Rate Schedule LVTS-L.

3 A. The proposed changes are to have the L&P division mirror the proposed
4 language in Schedule LVTS-M for the MPS division, with the exception of proposing a
5 the end-user charge that is \$15 less per month and decreasing the proposed delivery
6 charge by \$0.0234 per Ccf from the rate that is currently in effect.

7 Q. Please describe the proposed tariff changes on Sheet 38, titled
8 Transportation Service-Flexible Rates Rate Schedule LVTS-F.

9 A. These proposed tariff changes are new language for the L&P division of
10 the Company. The language describing Billing Demand is new proposed language to
11 both operating divisions. The first paragraph mirrors the Company's proposed language
12 for Large Volume Firm Gas Service Rate Schedule LVF-M.

13 Q. Please describe the proposed tariff changes on Sheet 39, titled
14 Transportation Service-Special Contract Rates Rate Schedule LVTS-SC.

15 A. This proposed tariff language is a new addition for the L&P division of the
16 Company and is identical to the existing tariff language used for the Company's MPS
17 division.

18 Q. Please describe the proposed tariff changes on Sheets 53 thru 64, titled
19 Purchased Gas Adjustment Clause Gas.

20 A. Language was added to update the PGA clause to include changes that
21 reflect the agreements reached in the generic PGA docket, Case Number GO-2002-442.
22 These changes included items such as the Actual Cost Adjustment (ACA) Account
23 approach in accounting for interest, the number of filings allowed per year, the interest

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1 rate on the over/under recoveries of gas costs are among the items the Company has
2 incorporated in their PGA.

3 Q. Please describe the proposed tariff change on Sheet 65, titled Tax and
4 License Rider Gas.

5 A. This proposed tariff language is new for the L&P Division of the
6 Company.

7 Q. Please describe the proposed tariff change on Sheet 66, titled
8 Smithton/Otterville Surcharge Gas.

9 A. The proposed tariff change increases the length of time for the surcharge
10 to remain in effect from eight years to eighteen years.

11 Q. Please describe the proposed tariff changes on Sheets R-6 thru R-9,
12 Section 2.04 titled Deposits and Guarantees of Payment, in the Rules and Regulations.

13 A. The proposed tariff changes added new language to the existing L&P tariff
14 addressing when the Company may require a security deposit or other guarantees of
15 payment from new residential customers and, establishes record keeping procedures to
16 track all deposits.

17 Q. Please describe the proposed tariff changes on Sheets R-10 thru R-13,
18 Section 2.05 titled Discontinuance of Service.

19 A. The proposed tariff changes added new language to the existing L&P tariff
20 defining items that are not sufficient cause for the Company to discontinue service, items
21 that are included in the notice of discontinuance and sets forth the notification procedure
22 to the customer before a discontinuance of service occurs.

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1 Q. Please describe the proposed tariff changes on Sheets R-14 thru R-18,
2 Section 2.06 titled Cold Weather Rule.

3 A. The proposed tariff changes reflect additional new language to the existing
4 L&P tariff that is identical to the existing MPS tariff. An example of these changes
5 included items such as stating nothing in the tariff would prevent the Company from
6 setting a higher temperature threshold below which it will not discontinue service, set
7 forth the procedure the Company would follow from November 1 through March 31,
8 allowed for the recovery of reasonable operating expenses by the Company and allows
9 the Company to apply for a variance of these rules.

10 Q. Please describe the proposed tariff changes on Sheets R-18 and R-19,
11 Section 2.07 titled Charge for Connection, Connection or Collection.

12 A. This proposed tariff language reflects a new section to both the operating
13 divisions of the Company. This proposed section sets forth the conditions that the
14 Company would charge for connections, reconnections and the charging of a collection
15 fee when collecting a payment at the time of disconnect. Staff believes the Company
16 intended to title this section Connection, Reconnection or Collection. The impact of
17 these changes on rate design will be discussed later in my testimony.

18 Q. Please describe the proposed tariff changes on Sheet R-19, Section 2.08
19 titled Charge for Returned Checks.

20 A. This section is new for both divisions of the Company. It sets forth the
21 conditions that the Company can charge for returned checks. The Company has
22 specifically excluded checks returned from the bank because of a bank error from being

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1 charged a returned check fee. The impact of this change on rate design will be discussed
2 later in my testimony.

3 Q. Please describe the proposed tariff changes on Sheets R-21 thru R-24,
4 Section 3 titled Supplying and Taking of Service.

5 A. The proposed tariff changes in this section are all new and completely
6 rewritten tariff language for the L&P Division. The new paragraphs include describing
7 what constitutes interruptions of gas service, use of gas service, tapping of Company's
8 mains, limitations of gas supply including purpose, curtailment, priority of service,
9 curtailment procedures, unauthorized overruns and penalties, emergency exemption,
10 relief from liability and precedence. The proposed tariff language for the Priority of
11 service paragraph has been changed. The existing MPS tariff lists ten different categories
12 for the priority of service curtailment. The proposed tariff has reduced the number to five
13 different categories.

14 Q. Please describe the proposed tariff changes on Sheets R-25 and R-26,
15 Section 4.02 titled Protection of Company Property.

16 A. The proposed tariff language would bring the existing L&P tariff language
17 to be in sync with the existing MPS tariff language. The section sets forth the customers
18 responsibility to protect the Company's property on the premises and states who is
19 allowed to inspect or handle the mains, lines, meters and any other apparatus of the
20 Company. In addition, the proposed language sets forth the conditions that the Company
21 may discontinue service if it is found that the above has occurred and the customer has
22 received unmetered service.

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1 Q. Please describe the proposed tariff changes on Sheet R-27, Section 5.03
2 titled Meter Testing.

3 A. Section 5.03B is new language for both divisions of the Company. This
4 section sets forth the conditions that a customer may request a meter to be tested,
5 conditions under which it will be tested, results of the test and the notification before the
6 test that there may be a charge for the testing. The impact of these changes on rate design
7 will be discussed later in my testimony.

8 Q. Please describe the proposed tariff changes on Sheets R-27 and R-28,
9 Section 5.04 titled Billing Adjustments

10 A. All but the first sentence of Section 5.04C reflects newly proposed
11 language for both divisions of the Company. The new language brings this section up to
12 date to account for the changes in section 5.03B. Section 5.04F is also new language for
13 both divisions of the Company. This section addresses the over or under collection of
14 sales, use or franchise taxes and states they are not a billing error and subject to the
15 statute of limitations.

16 Q. Please describe the proposed tariff changes on Sheets R-35 and R-36,
17 Section 6.06 titled Disputes.

18 A. The proposed section is almost entirely new language for the existing L&P
19 tariff. The words "notice and in person" were deleted from section 6.06A. Staff believes
20 that this deletion makes it easier on the customer to notify the Company of the possible
21 dispute.

22 Q. Please describe the proposed tariff changes on Sheet R-37, Section 6.07
23 titled Settlement Agreements and Extension agreements.

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1 A. The proposed section adds new language in Section 6.07D to the existing
2 L&P tariff. The language allows the Company to enter into an extension agreement with
3 a customer requesting the extension, even when the customer informs the Company that
4 they may not be able to pay the bill in full.

5 Q. Please describe the proposed tariff changes on Sheet R-38, Section 6.08
6 titled Commission Complaint Procedures.

7 A. The proposed section is new for the L&P Division. The section sets forth
8 the procedure for a customer to file an informal or formal complaint.

9 Q. Please describe the proposed tariff changes on Sheets R-40 thru R-47,
10 Section 7.0 titled Extension of Gas Facilities.

11 A. This proposed tariff language reflects new language for the L& P Division
12 of the Company. In addition, this proposed language has been completely rewritten for
13 the existing MPS tariff including new language addressing new items. The new items
14 include proposed language setting forth definitions for purpose and availability and
15 definition of terms. Section 7.02 provides proposed definitions for a variety of terms.
16 Section 7.02C defines a construction allowance that the Company allows the customer
17 and provides a formula that would determine the allowance. Section 7.02D defines what
18 portions of the construction charges are refundable or nonrefundable.

19 Q. Please describe the proposed tariff changes on Sheet R-47, Section 8 titled
20 Compliance with Rules and Regulations.

21 A. The proposed section reflects a new section for the L&P Division. This
22 section defines the responsibilities of the Company and customer respectively when
23 complying with the Rules and Regulations in this section.

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1 Q. Please describe the proposed tariff changes on Sheet R-48, Section 9.0
2 titled Promotional Practices.

3 A. This proposed section reflects a new section for the MPS division. This
4 section sets forth five promotional practices currently in effect for the L&P Division.
5 The practices are fuel cost comparisons, equipment selection, energy consulting,
6 promotion of high efficiency natural gas appliances, educational services, residential
7 customer purchase plan and commercial and industrial customer purchase plan.

8 **Miscellaneous Tariff Rate Issues**

9 Q. Did the Company combine the miscellaneous tariff rate issues for Aquila
10 Networks-MPS and Aquila Networks-L&P?

11 A. Yes, the Company combined all of the miscellaneous tariff rates into one
12 proposed tariff.

13 Q. What is the result of this combination of miscellaneous tariff rate issues?

14 A. This results in the use of identical language and rates for the same service
15 in the Companies two Missouri operating divisions. The effect of each proposed change
16 will be discussed further in my testimony below.

17 Q. Did the Company provide documentation justifying the changes in the
18 charges for the two operating divisions?

19 A. The Company provided cost studies that documented the actual cost of
20 performing connections and reconnections during normal business hours and after
21 business hours; excess flow valves and NSF checks. The Company did not provide
22 specific cost studies for meter testing, special meter read appointments or for the
23 collection fee at disconnect. The Company did state in response to Staff Data Request

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1 Numbers 39 and 40 that the charges were consistent with other "customer visit" charges
2 such as reconnects, and referred to the information provided in the Company's response
3 to Staff Data Request Number 36.

4 Q. What is the effect of the Company's proposed change to the tariff as it
5 relates to Connections?

6 A. The Company is proposing to eliminate the \$20 connection fee during
7 normal business hours and reduced the connection fee from \$55 to \$50 for connections
8 after normal business hours for the MPS division. The Company did not currently charge
9 for connections within the L&P Division so this will result in a new \$50 charge for
10 connections after business hours. The Company provided the Staff with a cost study that
11 supports a charge in excess of \$50.

12 Q. What is the effect of the Company's proposed change to the tariff as it
13 relates to reconnections?

14 A. The Company is proposing to increase the reconnection fee during normal
15 business hours from \$20 to \$30 and proposes to decrease the reconnection fee after
16 normal business hours from \$55 to \$50 for both divisions of the Company. The
17 Company provided the Staff with a cost study that supports these charges.

18 Q. What is the effect of the Company's proposed change to the tariff as it
19 relates to reconnections within twelve months?

20 A. In Section 2.07A of the proposed tariff, the Company is proposing to
21 increase the reconnect fee within 12 months from \$20 to \$30 for the MPS division, and to
22 increase the reconnect fee within 12 months from \$0 to \$20 for the L&P Division. In
23 addition, the Company is proposing in Section 2.07D that the "Company will collect, as a

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1 reconnection charge, the sum of such minimum bills as would have occurred during the
2 period of disconnection, but in no event less than the Reconnection Charge in Section
3 2.07A of these rules.” Staff agrees with this new language as it prevents customers from
4 avoiding the monthly customer charge by disconnecting service in the warmer months
5 only to reconnect in the colder months.

6 Q. What is the effect of the Company’s proposed change to the tariff as it
7 relates to excess flow valves?

8 A. The Company is proposing to increase the charge for excess flow valves
9 from \$30 to \$45 for the MPS division. The Company is reducing the charge for excess
10 flow valves from \$65 to \$45 for the L&P Division. The Company clarified this change in
11 it’s response to Staff Data Request Number 38, stating the valve cost approximately \$15
12 and the installation took approximately 20 minutes of crew time, or about \$30 in labor
13 related costs.

14 Q. What is the effect of the Company’s proposed change to the tariff as it
15 relates to meter testing?

16 A. The proposed charge in section 5.03 for meter testing is a new charge.
17 The Company proposes to recover their cost of providing a customer service when the
18 meter is reading accurate. The Company allows a two percent tolerance for the purpose
19 of this section.

20 Q. What is the effect of the Company’s proposed change to the tariff as it
21 relates to special meter read appointments?

22 A. The Company is proposing to increase the charge for special meter read
23 appointments during normal business hours from \$5 to \$30, and, from \$10 to \$50 during

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1 non-business hours for it's MPS division. In addition, the Company presently does not
2 charge for these services in the L&P Division but plans to reflect these two new charges
3 within this proposal.

4 Q. What is the effect of the Company's change to the tariff as it relates to
5 collection fees at time of disconnect?

6 A. The Company presently does not charge collection fees at the time of
7 disconnect in either of its divisions. In section 2.07C of the proposed tariff, the Company
8 proposes to charge \$30 for this service.

9 Q. What is the effect of the Company's change to the tariff as it relates to
10 returned checks?

11 A. The Company presently does not charge for NSF checks in either of its
12 divisions. The Company proposes to charge \$20 for NSF checks. The Company
13 provided the Staff with a cost study that supports a charge slightly higher than \$20.

14 **Late Payment Fees**

15 Q. Please describe the proposed tariff changes on Sheet R-39, Section 6.09
16 titled Late Payment Charges.

17 A. The proposed tariff change increases the late payment charge for the L&P
18 Division from 1 ¼ percent to 1 ½ percent.

19 Q. What change is Staff proposing to the late payment charge on delinquent
20 bills?

21 A. Staff is proposing that the late payment charge on delinquent bills be
22 reduced from 1 ½ percent, compounded per month, to a simple ½ percent per month of
23 the original net amount due on the delinquent bill. In other words, the late payment

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1 charge would not be applied to a previous late charge balance, thus eliminating the
2 compounding effect of the late payment charge. This proposed late payment charge rate
3 would be a simple annual rate of 6 percent. The current annual late payment charge rate
4 is equal to 18 percent, and when compounded, could easily exceed the 18 percent per
5 annum.

6 Q. Why is Staff proposing this change?

7 A. Staff believes this change reduces the late penalty charge for delinquent
8 bills to correctly reflect current interest rates and the cost to the Company to carry a
9 customer's bill for an additional billing period. As noted above, the current late payment
10 charge rate could exceed 18 percent when computed on an annual basis. This compounds
11 the difficulty customers have when paying their gas bills.

12 Q. What is the financial impact of this proposed change?

13 A. Staff calculates the financial impact to be \$146,688 and has accounted for
14 this amount in Staff's proposed rate design.

15 Q. Does Staff have any recommendations on the late penalty charge being
16 assessed to customers applying for assistance through the Low Income Home Energy
17 Assistance Program (LIHEAP)?

18 A. Yes. The Staff is recommending that the late payment charges that
19 accrued during the time that the energy assistance money (LIHEAP or ECIP) is being
20 credited against a customer's bill should be waived by the Company. The Staff
21 recognizes that there exists a time lag between customer's bills and the distribution of the
22 energy assistance grants. During this time lag, the Staff does not feel a customer should
23 be required to pay late payment charges.

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1 Q. Does this conclude your Direct Testimony?

2 A. Yes it does.

RATE CASE PROCEEDING PARTICIPATION

JAMES M. RUSSO

<u>COMPANY</u>	<u>CASE NO.</u>
Union Electric Company	GR-97-393
Gascony Water Company	WA-97-510
St. Joseph Light and Power Company	EC-98-573
St. Joseph Light and Power Company	HR-99-245
St. Joseph Light and Power Company	GR-99-246
St. Joseph Light and Power Company	ER-99-247
UtiliCorp United Inc./St. Joseph Light and Power Company	EM-2000-292
UtiliCorp United Inc./Empire District Electric Company	EM-2000-369
Osage Water Company	WR-2000-557
Osage Water Company	SR-2000-556
Missouri Gas Energy	GR-2001-292
Southern Missouri Gas Company, L.P.	GR-2001-0388
Environmental Utilities	WA-2002-65
Laclede Gas Company	GR-2002-356
Laclede Gas Company	GA-2002-429
Missouri Gas Energy	GT-2003-0033
Aquila Networks L & P	GT-2003-0038
Southern Missouri Gas Company, L.P.	GT-2003-0031
Atmos Energy Corporation	GT-2003-0037
Fidelity Natural Gas, Inc.	GT-2003-0036
Laclede Gas Company	GT-2003-0032
Union Electric Company	GT-2003-0034
Union Electric d/b/a AmerenUE	GR-2003-0517
Missouri Gas Energy	GT-2004-0049