

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

In the matter of Proposed Emergency)
Amendment to Commission Rule 4 CSR)
240-13.055)

Case No. GX-2006-0181

PUBLIC COUNSEL’S RESPONSE TO ORDER DIRECTING FILING

COMES NOW the Office of the Public Counsel and in the above-captioned case states as follows:

On December 21, 2005 the commission issued an order directing that interested persons file, on or before December 23, 2005, responses to three questions. Public Counsel responds as follows:

1. What is your expectation of the Mid-Continent price of natural gas per mmBTU during the years 2006 and 2007? On what do you base this expectation?

Public Counsel's Response to Question 1: OPC has already submitted to the Commission scenarios which contain assumptions about future gas prices. The assumptions in these scenarios are more favorable to residential customers in estimating lower gas bills than might turn out to be the case. Even under these more favorable assumptions, however, low-income customers can accumulate balances if they are permitted to pay only \$60 per month during the heating season and are permitted to extend payments out 24 months.

2. The PSC Staff roughly estimates that application of the \$60/month payment proposal on natural gas bills for low-income may cost in the tens of millions of dollars. How may the Commission allow for the recovery of those costs?

Specifically, who will ultimately pay these costs?

Public Counsel's Response to Question 2: Public Counsel does not necessarily agree with the assumption that the \$60/month proposal will cost the gas utilities tens of millions of

dollars. It will depend on how many of the low-income customers who take advantage of the maximum \$60/month payment during the winter months catch up on their payments during the remaining months of the year. Public Counsel believes that it is not realistic to assume that all or most of these customers will default and never pay their balances. This is especially true because these same customers will need to be back on the system in time for next year's heating season. If the majority of these customers pay off their balances, the primary costs to the utilities will be carrying costs over a longer period.

However, to the extent that substantial numbers of these customers are unable to pay off their balances, the Commission will need to look at other options including:

- Should the \$60/month payment be higher or, alternatively, established as a percentage of the bill rather than a flat payment?
- Should the repayment timeframe be shortened from the suggested 24 months to reduce the "stacking" of one winter season's bills upon the next winter season's bills?
- Joining in a collaborative effort with local, state and federal executive and legislative officials to address the general problem of unaffordability of residential gas for low-income customers.

Along these lines, Public Counsel applauds recent efforts to increase the funding of Utilicare.

3. If the average winter heating bill is expected to be approximately \$1200, how will low-income customers ever clear their arrearages if the most the utility can require is \$60/month? Taking into account the current retail price of gas, including PGA amounts for January through March, at what point will gas prices

be sufficiently low to allow an average-using customer to enter the 2006-2007 winter heating season on November 1, 2006, without arrearages (assuming a \$60/month payment).

Public Counsel's Response to Question 3: Public Counsel notes that, as it understands Ms. Hutchinson's proposal, the \$60 per month payment would only be in effect during the winter months. For the remainder of the year, low-income customers would pay a higher levelized bill to make up for \$60 payments during winter months.

Public Counsel has recently requested data from natural gas companies regarding their experience with the provision in the permanent Cold Weather Rule whereby registered low-income elderly and disabled residential customers are permitted to stay on the system by paying only 50% of their levelized payment during the winter months. This data may provide some insight into how customers respond when given the ability to temporarily lower their monthly payments during the winter months. The Commission may wish to expedite the responses to Public Counsel's data requests.

WHEREFORE, Public Counsel respectfully submits these comments in response to the Commission's Order Directing Filing.

Respectfully submitted,

Office of the Public Counsel

By: _____
Eric A. Martin (#48783)
Senior Public Counsel
P.O. Box 2230
Jefferson City, MO 65109
(573) 751-5558
(573) 751-5562 FAX
eric.martin@ded.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 27th day of December, 2005.

Dana K. Joyce
Missouri Public Service Commission
P.O. Box 360
200 Madison Street, Suite 800
Jefferson City, MO 65102
GenCounsel@psc.mo.gov

Dean Cooper
Brydon, Swearingen & England, P.C.
312 East Capitol Avenue
P.O. Box 456
Jefferson City, MO 65102
dcooper@brydonlaw.com

Robert Hack
Missouri Gas Energy
3420 Broadway
Kansas City, MO 64111
rhack@mgemail.com

Doug Micheel
Attorney General's Office
Consumer Fraud Division
P.O. Box 889
Jefferson City, MO 65102
douglas.micheel@ag.mo.gov

Thomas M. Byrne
Ameren UE
1901 Chouteau Avenue
P.O. Box 66149
St. Louis, MO 63166-6149
tbyrne@ameren.com

Michael C. Pendergast
Laclede Gas Company
720 Olive Street, Suite 1520
St. Louis, MO 63101
mpendergast@lacledegas.com

James M. Fischer
Fischer & Dority, P.C.
101 Madison Street, Suite 400
Jefferson City, MO 65101
jfischerpc@aol.com