

Exhibit No.:

Issue(s):

Program Funding/

Interest Adjustment/

Affordability Programs/

Gas Supply Incentive Plans

Witness/Type of Exhibit:

Meisenheimer/Direct

Sponsoring Party:

Public Counsel

Case No.:

GR-2007-0208

DIRECT TESTIMONY

OF

BARBARA A. MEISENHEIMER

Submitted on Behalf of the Office of the Public Counsel

LACLEDE GAS COMPANY

CASE NO. GR-2007-0208

May 4, 2007

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

In the Matter of Laclede Gas Company's)
Tariff to Revise Natural Gas Rate)
Schedules.)
Case No. GR-2007-0208

AFFIDAVIT OF BARBARA A. MEISENHEIMER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Barbara A. Meisenheimer, of lawful age and being first duly sworn, deposes and states:

1. My name is Barbara A. Meisenheimer. I am Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

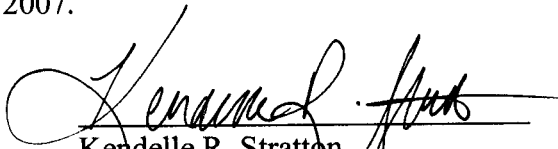


Barbara A. Meisenheimer

Subscribed and sworn to me this 4th day of May 2007.



KENDELLE R. STRATTON
My Commission Expires
February 4, 2011
Cole County
Commission #07004782



Kendelle R. Stratton
Notary Public

My Commission expires February 4, 2011.

**DIRECT TESTIMONY
OF
BARBARA A. MEISENHEIMER**

**LACLEDE GAS COMPANY
(REVENUE REQUIREMENT)
CASE NO. GR-2007-0208**

I. SUMMARY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My direct testimony will review the actual expenditures for Laclede's existing low-income, Energywise and energy efficiency programs and recommend an adjustment to account for interest on the funding balance. It will also address changes that should be made to the low-income programs. Finally, I will present Public Counsel's proposal to continue the existing Gas Supply Incentive Plan (GSIP).

II. INTRODUCTION

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel, P. O. 2230, Jefferson City, Missouri 65102.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.

A. I hold a Bachelor of Science degree in Mathematics from the University of Missouri-Columbia (UMC) and have completed the comprehensive exams for a Ph.D. in Economics from the same institution. My two fields of study are Quantitative Economics and Industrial Organization. My outside field of study is Statistics.

1 I have been with the Office of the Public Counsel (Public Counsel) since January
2 1996. In this capacity I have prepared written testimony and testified before the Missouri
3 Public Service Commission. (PSC or Commission) regarding cost of service, rate design,
4 universal service, incentive design, quality of service and numerous competitive issues. I
5 have testified in the areas of telecommunications, natural gas, water and sewer and electric.

6 Over the past 12 years I have taught courses for the following institutions: University
7 of Missouri-Columbia, William Woods University, and Lincoln University. I currently
8 teach courses including undergraduate and graduate level managerial economics, graduate
9 level healthcare economics, undergraduate statistics, and international comparative economic
10 systems for William Woods University.

11 ***III. PROGRAM FUNDING LEVELS VERSUS ACTUAL EXPENDITURES***

12 **Q. PLEASE DESCRIBE LACLEDE'S LOW-INCOME, ENERGYWISE AND EFFICIENCY PROGRAMS.**

13 A. In addition to various community and government support programs and voluntary customer
14 contributions targeted to assisting low-income customers, Laclede's currently tariffed low-
15 income assistance programs include low-income weatherization, an experimental low-
16 income bill credit and an experimental arrearage repayment incentive program. Of these
17 programs, the low-income bill credit and arrearage repayment programs are relatively new
18 programs established in the last Laclede rate case, Case No. GR-2005-0284.

Laclede's currently tariffed energy efficiency and Energywise programs include residential, commercial and rental property rebates for high efficiency gas appliances and HVAC units, the Energywise program that provides residential and commercial financing for high efficiency gas heating air conditioning and appliances, and a low-interest residential insulation financing program. Of these, the residential, commercial and rental rebate programs are relatively new programs established in the last Laclede rate case.

Q. PLEASE COMPARE LACLEDE'S REBATE, ENERGYWISE AND ENERGY EFFICIENCY PROGRAM FUNDING LEVELS TO ACTUAL EXPENDITURES .

A. The following table illustrates the tariffed program funding levels and actual expenditures reported by the Company in response to Staff DR 0106.

<u>Program</u>	<u>Two Year Funding Level</u>	<u>Expenditures Through Jan 07</u>
Rebates Residential	\$ 300,000	\$ 153,750
Rebates Commercial	\$ 200,000	\$ 1,500
Rebates Rental	\$ 100,000	\$ 3,250
<u>Program</u>	<u>Cap on Outstanding Loans</u>	<u>Loan Balance Through Jan 07</u>
Insulation Financing	\$ 2,000,000	\$ 144,356
Energywise Financing	No Limit Stated ¹	\$ 787,389

¹ Energywise was originally designed to charge market interest rates to credit worthy customers. In Case No. GR-2005-0284 supplemental funding of \$50,000 was added to support low-income apartment efficiency loans.

1 Additional detail regarding the monthly number of rebates disbursed and the total
2 monthly disbursements by type is provided in Schedule BAM 1 and Schedule BAM 2.

3 **Q. PLEASE COMPARE LACLEDE'S LOW-INCOME BILL DISCOUNT AND ARREARAGE REPAYMENT**
4 **INCENTIVE PROGRAM FUNDING LEVELS TO ACTUAL EXPENDITURES .**

5 A. The following table illustrates the tariffed program funding levels and actual expenditures
6 compiled from Company reports.

<u>Low-income Program</u>	<u>Two Year Funding Level</u>	<u>Expenditures Through April 07</u>
Bill Credit	\$ 1,100,000	\$ 398,770
Arrearage Repayment	\$ 700,000	\$ 155,835

7
8
9
10 Additional detail regarding the monthly number of low-income bill credit and
11 arrearage program participants and the total monthly disbursements is provided in Schedule
12 BAM 3 and Schedule BAM 4.

13 **Q. DOES LACLEDE PROPOSE TO RECOVER THE COST OF THE LOW-INCOME, ENERGYWISE AND**
14 **EFFICIENCY PROGRAMS ON AN ONGOING BASIS?**

15 A. Yes. Laclede proposes to explicitly include the current funding levels for the low-income
16 weatherization, low-income bill credit, low-income arrearage repayment and efficiency
17 rebate programs in rates. These costs are booked in Account 908. Laclede also proposes to
18 recover interest associated with the Energywise and insulation financing programs as an
19 addition to rate base.

1 **Q. DO YOU BELIEVE THE LEVEL OF PROPOSED EFFICIENCY REBATE AND LOW-INCOME**
2 **PROGRAM RECOVERY IS REASONABLE?**

3 A. No. My investigation indicates that with the exception of the low-income weatherization
4 program, the low-income programs and rebate programs have low subscribership and are not
5 meeting the current funding levels.

6 **Q. DO YOU PROPOSE THAT PAST AND FUTURE UNSPENT FUNDS ACCRUE INTERST?**

7 A. Yes. I believe it is fair to ratepayers and eliminates a disincentive for the Company to use the funds
8 as intended.

9 **Q. HOW MUCH INTERST SHOULD BE PAID ON THE EXISTING UNSPENT FUNDS?**

10 A. I used the same 9.25% annual interest rate that the Company used in calculating the interest on
11 deposits to calculate the interest balance on a monthly basis for the unspent funds in the low-income
12 and efficiency rebate programs. The calculations are provided in Schedule BAM 5 and Schedule
13 BAM 6. As of the most recent reporting date the low-income program interest adjustment would be
14 \$67,844 and the efficiency rebate interest adjustment would be \$21,892. I propose that these amounts
15 be an offset to the revenue requirement in this case and that interest on future unspent balances be
16 paid by the shareholders at the same rate.

IV. PROGRAM MODIFICATIONS

Q. WHAT MEASURES DOES PUBLIC COUNSEL RECOMMEND TO ADDRESS THE LOW LEVELS OF SUBSCRIBERSHIP AND EXCESS FUNDING ASSOCIATED WITH LACLEDE'S PROGRAMS?

A. My testimony addresses proposed modifications to the low-income programs. Public Counsel's witness Ryan Kind will address proposed changes to the Energywise and efficiency programs.

Q. WHAT EXPERIENCE DO YOU HAVE RELATED TO THE DESIGN OF LOW-INCOME ASSISTANCE PROGRAMS?

A. In the area of telecommunications I served on the Federal/State Universal Service Joint Board Staff for a number of years. I reviewed information on the design and cost of state and federal low-income programs and participated in preparing recommendations for the FCC in implementing the Federal Lifeline and Link-Up programs. At the State level, I participated in industry workshops to develop the low-income and disabled components of the Missouri Universal Service Fund (MoUSF) and currently assist the Public Counsel in his duties as a member of the Missouri Universal Service Board.

On behalf of Public Counsel, I worked with the Department of the Census to develop data designed to identify low-income household telephone subscribership stratified by percentage of the federal poverty level in order to develop recommendations to better target low-income support.

1 With respect to low-income programs for natural gas and electric utilities, I have filed
2 testimony on the design of experimental low-income programs for a number of companies in
3 the State, including Laclede Gas, MGE, AmerenUE Gas, Aquila Gas and Empire Electric.
4 The scope of this testimony addressed both low-income bill discounts and arrearage
5 repayment incentives in addition to reviewing low income natural gas consumption patterns.
6 Recently in the MGE rate case, I used Census data and Consumer Expenditure data
7 compiled by EIA in the Department of Energy to evaluate low-income household
8 characteristics and natural gas consumption compared to those of households at higher
9 income levels. I have also participated in workshops and collaboratives to implement and
10 evaluate low-income programs.

11 **Q. PLEASE DISCUSS YOUR RECOMMENDATIONS TO ADDRESS THE LOW LEVELS OF**
12 **SUBSCRIBERSHIP AND EXCESS FUNDING ASSOCIATED WITH THE LOW-INCOME BILL CREDIT**
13 **AND ARREEARAGE REPAYMENT INCENTIVE PROGRAMS?**

14 **A.** With respect to the low-income programs, I recommend (1) that the current and future
15 balances of unspent funds be adjusted to recognize a reasonable interest adjustment; (2) that
16 the low-income bill credit and arrearage repayment incentive programs be immediately
17 modified and simplified in order to increase subscribership; (3) that absent modification to
18 address low subscribership the funding levels for the low-income bill credit and arrearage
19 repayment incentive programs should be significantly reduced; (4) that the Company

1 undertake additional outreach activities and (5) that enhanced evaluation of the programs
2 occur.

3 **Q. PLEASE DESCRIBE AND PROVIDE BACKGROUND INFORMATION ON THE LOW-INCOME BILL**
4 **CREDIT PROGRAM.**

5 A. The experimental low-income bill credit and arrearage repayment programs were established
6 in Laclede's service area as the result of the Stipulation and Agreement in GR-2005-0284.
7 The combined program funding is \$950,000 per year. Of this amount \$550,000 is allocated
8 to winter bill credits, \$350,000 is allocated to arrearage repayment incentives and \$50,000 is
9 allocated to administrative costs.

10 Under the bill credit program, participants with household incomes of up to 125% of
11 the Federal Poverty Level (FPL) received average bill credits of \$60 per month for
12 November through March. Participants with household incomes between 126% and 150%
13 of the Federal Poverty Level received average bill credits of \$70 per month November
14 through March. The monthly bill credits vary by winter month; higher in colder months and
15 lower in warmer months. A participant can not couple the bill discount program with a level
16 payment plan. Participation is targeted to include 20% of total participation from households
17 up to 50% of FPL, 40% from households between 51% and 125% of FPL and 40% from
18 households between 126% and 150% of FPL.

1 **Q. WHAT ARE THE SPECIFIC OBSTICALS TO THE SUCCESS OF THIS PROGRAM?**

2 A. The bill credits are not properly aligned with income levels and for the poorest participants do not
3 sufficiently offset increases in natural gas prices. Additionally customers may not couple the bill
4 discount program with a level pay program and additional outreach should occur.

5 **Q. WHAT TYPE OF ADDITIONAL OUTREACH DO YOU RECOMMEND?**

6 A. Laclede should work with the community action agencies to identify all customers who have received
7 LIHEAP grants in the past few years in an effort to inform those customers about the bill credit and
8 arrearage repayment programs. Laclede should also advertise the programs through public service
9 announcements.

10 **Q. HOW SHOULD THE PROGRAM BE REDESIGNED?**

11 A. The discount structure should be modified and customers should have the option of coupling
12 discounts with a level payment plan. The current discount levels do not provide sufficient support for
13 the lowest income participants. Based on Company reported usage data, an assumption of a 4%
14 affordable natural gas burden and current LIHEAP support levels, I have performed a study to
15 determine appropriate income thresholds and annual bill discounts². The study also assumes the
16 availability of level pay. The analysis and study results are provided in Schedule BAM 7. Based on
17 the information, I recommend that participants with income up to 50% of the Federal Poverty Level
18 and on level pay receive a discount of \$80 per month, participants with income of 51%-100% of the
19 Federal Poverty Level and on level pay receive a discount of \$50 per month and participants with

² Roger Colton is a recognized national expert on low-income issues. He advocated a 4% natural gas burden in GR-201-292.

1 income of 101%-150% of the Federal Poverty Level and on level pay receive a discount of \$20 per
2 month. For simplicity, I would recommend that customers that do not choose level pay receive 1/10th
3 of the applicable annual discount in November, 1/10th in April and 1/5th each month December
4 through March. Based on my experience with this and other low-income bill discount programs, to
5 truly test the merits of a low-income bill discount program in terms of reduced uncollectibles, fewer
6 late payments, fewer disconnects and long term participation, the discount levels must be sufficient to
7 make gas service affordable to low-income consumers. Insufficient discounts are a recipe for failure
8 and I strongly recommend rejecting proposals for smaller discounts especially for the lowest income
9 level participants. I estimate that modifying the program in the way I propose and increasing
10 participation to 1.5 times the historic average would produce an annual expenditure of \$817,405.

11 **Q. PLEASE DESCRIBE THE ARREARAGE REPAYMENT INCENTIVE PROGRAM.**

12 A. Arrearage repayment incentives are available to those with household incomes up to 185%
13 of FPL. For households up to 125% of FPL at least a \$10 per month payment toward arrears
14 is required and matched dollar for dollar. For households between 126% and 185% of FPL
15 at least a \$15 per month payment toward arrears is required and matched dollar for dollar.
16 For participants that successfully remain on the arrearage repayment program through the
17 summer months an additional 15% of the arrearage balance is offset by program funds.

18 **Q. WHAT ARE THE SPECIFIC OBSTICALS TO THE SUCCESS OF THE ARREARAGE REPAYMENT**
19 **INCENTIVE PROGRAM?**

20 A. The program is overly complicated and does not offer a significant short term incentive for arrearage
21 repayment. In my opinion, clearing up unpaid balances owed to the Company benefits both the

1 participant and other ratepayers and should be accomplished as quickly as possible. I recommend
2 that the Commission approve a time period during which customers at or below 185% of the poverty
3 level can receive a dollar for dollar matching of all payments toward arrears in order to provide a
4 significant short term incentive for arrearage repayment. One option would be to allocate a fixed
5 level of funding for arrearage repayment offered on a first come, first served basis. I estimate that
6 extending the current annual funding level of the bill discount and arrearage repayment programs for
7 an additional year (until September 2008) together with the unspent funding and interest would allow
8 sufficient monies to modify the bill credit proposal as described above, to retain a consultant for up to
9 \$75,000 and to fund an approximate \$500,000 fixed level of funding for arrears repayment matching.
10 An alternative to a fixed level of funding for arrears repayment matching would be to establish a fixed
11 time window during which all qualified payments would be matched and the Company would be
12 allowed to recover any shortfall in funding. I believe there are benefits to both options and Public
13 Counsel would consider a time window proposal for arrears repayment matching.

14 **Q. YOU HAVE RECOMMENDED THAT AN INDEPENDENT CONSULTANT BE RETAINED TO MAKE**
15 **ADDITIONAL RECOMMENDATIONS REGARDING THE LOW-INCOME PROGRAM DESIGN AND**
16 **TO EVALUATE THE SUCCESS OF THE MODIFIED LOW-INCOME PROGRAMS. IN ADDITION TO**
17 **MAKING RECOMMENDATIONS ON THE DESIGN OF THE LOW INCOME PROGRAM AND**
18 **EVALUATION CUSTOMER SUCCESS IN THE PROGRAMS, ARE THERE OTHER ISSUES THE**
19 **CONSULTANT SHOULD ADDRESS?**

1 A. Yes. As part of the process, Public Counsel recommends that the independent consultant
2 evaluate the processes by which the program is delivered and make recommendations for
3 eliminating obstacles in delivery of the programs.

4 **Q. IF THE LOW-INCOME BILL CREDIT AND ARREARAGE REPAYMENT INCENTIVE PROGRAMS**
5 **ARE NOT MODIFIED IN THE MANNER YOU RECOMMEND, SHOULD THE FUNDING LEVELS BE**
6 **REDUCED?**

7 A. Yes. If the programs are not modified in a way that significantly increases subscribership and results
8 in a meaningful benefit to participants as well as other ratepayers, then the programs should be phased
9 out and no new money should be collected from rates.

10 **Q. IF THE LOW-INCOME BILL CREDIT AND ARREARAGE REPAYMENT INCENTIVE PROGRAMS**
11 **ARE MODIFIED AND CONTINUED IN THE MANNER YOU RECOMMEND, WHAT ONGOING**
12 **REVIEW OF THE PROGRAMS DO YOU RECOMMEND?**

13 A. If the modified programs continue, I would recommend that a review of the program occur and the
14 consultant's recommendations considered prior to September 2008. If the programs appear
15 successful continuing them would be reasonable. However, if the programs are unsuccessful, the
16 \$900,000 annual funding collected through rates should be redirected toward conservation and
17 efficiency programs as determined by the collaborative addressed in the direct testimony of Mr. Kind.

VI. GAS SUPPLY INCENTIVE PLAN (GSIP)

Q. ARE YOU GENERALLY FAMILIAR WITH THE FIELDS OF ECONOMICS THAT ADDRESS THE APPROPRIATE DESIGN OF INCENTIVE PLANS?

A. Yes, I am. The focus of my graduate work was the study of Quantitative Economics and Industrial Organization. These fields address the appropriate design of incentive plans through the application of “game theory.” Game theory is a hybrid of mathematics and statistics that allows economists to model strategic interaction.

Q. WHAT ADDITIONAL EXPERIENCE DO YOU HAVE THAT IS RELEVANT TO THE ISSUE OF NATURAL GAS INCENTIVE PLAN DESIGN?

A. Specifically, I have testified regarding the design of gas supply incentive plans in GT-99-303, GO-2000-395, GT-2001-329, GR-2002-356 and participated in negotiations in GR-2005-0284. Additionally, I participated as a member of the Missouri Public Service Commission’s Natural Gas Commodity Price Task Force and served on the subcommittee that addressed gas supply incentive design. In this capacity, my primary contribution to the taskforce effort was to develop the original list and discussion of principles underlying a properly designed incentive plan that formed the basis for the Taskforce’s final recommendation to the Commission.

1 **Q. PLEASE DESCRIBE AND PROVIDE BACKGROUND INFORMATION ON LACLEDE’S CURRENT**
2 **GAS SUPPLY PLAN.**

3 A. The current GSIP originated with a Public Counsel proposal in Case GR-2002-356 to take a
4 more holistic approach to incentive design. Prior to GR-2002-356, Laclede had a patchwork
5 of incentive components that did not reasonably align the interest of the Company with that
6 of its customers. The plan established a benchmark cost of gas based on actual market
7 performance and created a band about the benchmark consisting of a price ceiling and price
8 floor. To receive incentive compensation, Laclede’s actual average cost of gas had to be less
9 than the market based benchmark and fall within the band defined by the ceiling and floor. I
10 was the Public Counsel witness that explained the theoretical basis of the plan. As I
11 described in testimony in that case, requiring Laclede to beat the market based benchmark
12 increased the likelihood that customers were receiving some benefit from the GSIP. In
13 addition, the band’s ceiling was to act as a safeguard to ensure that Laclede was not
14 compensated at a time when customers were paying an extremely high price for natural gas.
15 Similarly, the band’s floor was established in an effort to recognize that customers would
16 likely be unwilling to pay for further reductions in the price of natural gas when the price
17 was already very low. The Parties agreed to the GSIP as a component of a Stipulation and
18 agreement in Case No. GR-2002-356. The GSIP was revisited in Laclede’s following rate
19 case, Case No. GR-2005-0284. The Parties again agreed to continue the GSIP as a

1 component of a Stipulation and Agreement in Case No. GR-2005-0284. The band cap and
2 floor was raised by agreement of the parties.

3 **Q. DO YOU BELIEVE THE GSIP SHOULD CONTINUE?**

4 A. Yes. I believe the GSIP preformed as it should over the past few years. During the year
5 with moderate gas costs, Laclede achieved a lower gas price than the benchmark and the
6 price was above the floor so Laclede was allowed to retain over 3 million dollars of savings.
7 In one year, Laclede did not achieve a price lower than the market based benchmark and
8 therefore was not compensated under the program. The past two years, Laclede beat the
9 market based benchmark but gas prices were exceptionally high. In those instances, the
10 ceiling ensured that Laclede received no compensation when customers were subject to
11 exceptionally high natural gas prices. I believe the current GSIP should continue.

12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 A. Yes, it does.

Direct Testimony
Barbara Meisenheimer
GR-2007-0208

Arrears Repayment Incentive Expenditures by Month

Sum of Arrears Credits		PLAN TYPE					
MONTH	LOW-INC- ARREARS-125	LOW-INC- ARREARS-185	LOW-INC- ARREARS-50	LOW-INC- COMBO-125	LOW-INC- COMBO-150	LOW-INC- COMBO-50	Grand Total
200602							
200603							
200604	\$ -	\$ 45.00		\$ -	\$ -	\$ 140.00	\$ 500.00
200605	\$ 94,574.00	\$ 345.00	\$ 591.00	\$ 1,105.00	\$ 180.00	\$ 380.00	\$ 1,710.00
200606	\$ 21,157.00	\$ 405.00	\$ -	\$ 1,215.00	\$ 885.00	\$ 540.00	\$ 98,150.00
200607	\$ 1,420.00	\$ 240.00	\$ 20.00	\$ 980.00	\$ 1,048.00	\$ 400.00	\$ 23,990.00
200608	\$ 1,170.00	\$ 285.00	\$ 20.00	\$ 655.00	\$ 515.00	\$ 250.00	\$ 3,100.00
200609	\$ 930.00	\$ 255.00	\$ 20.00	\$ 1,065.00	\$ 645.00	\$ 410.00	\$ 3,595.00
200610	\$ 760.00	\$ 150.00	\$ 20.00	\$ 1,395.00	\$ 675.00	\$ 560.00	\$ 2,405.00
200611	\$ 6,549.00	\$ 1,366.00	\$ 55.00	\$ 810.00	\$ 345.00	\$ 320.00	\$ 8,680.00
200612	\$ 6,109.00	\$ 1,276.00	\$ 45.00	\$ 415.00	\$ 165.00	\$ 130.00	\$ 7,930.00
200701	\$ 110.00	\$ 90.00	\$ 10.00	\$ 290.00	\$ 120.00	\$ 90.00	\$ 650.00
200702	\$ 30.00	\$ 30.00	\$ -	\$ 170.00	\$ 180.00	\$ 90.00	\$ 645.00
200703	\$ 40.00	\$ 60.00	\$ -	\$ 320.00	\$ 75.00	\$ 150.00	\$ 645.00
Grand Total	\$ 132,849.00	\$ 4,547.00	\$ 781.00	\$ 9,100.00	\$ 4,968.00	\$ 3,590.00	\$ 155,835.00

Direct Testimony
 Barbara Meisenheimer
 GR-2007-0208

Count of Arrearage Repayment Incentive Credits by Month

No. of Arrears Credits	PLAN TYPE							
	MONTH	LOW-INC- ARREARS-125	LOW-INC- ARREARS-185	LOW-INC- ARREARS-50	LOW-INC-BILL- ASST-125	LOW-INC-BILL- ASST-150	LOW-INC-BILL- ASST-50	Grand Total
200602					14		5	537
200603	375	51			36	20	15	1107
200604	949	51			37	21	15	1530
200605	983	51	6		37	21	15	2096
200606	983	51	6		37	21	14	2144
200607	976	51	6		37	21	14	2140
200608	971	51	6		37	21	14	2131
200609	968	51	6		37	21	14	2125
200610	675	38	4		33	20	14	2119
200611	481	37	4		216	40	21	1385
200612	479	37	4		223	42	22	1487
200701	488	37	4		215	42	22	1465
200702	483	37	4		210	42	21	1487
200703								1479
Grand Total	8811	544	56	1206	353	220	6767	23232

Direct Testimony
Barbara Meisenheimer
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Low-income Bill Credit Expenditures by Month

Sum of Bill Credits		PLAN TYPE								
MONTH	LOW-INC- ARREARS-125	LOW-INC- ARREARS-185	LOW-INC- ARREARS-50	LOW-INC-BILL- ASST-125	LOW-INC-BILL- ASST-150	LOW-INC-BILL- ASST-50	LOW-INC- COMBO-125	LOW-INC- COMBO-150	LOW-INC- COMBO-50	Grand Total
200602				\$ 460.00		\$ 220.00	\$ 7,040.00		\$ 5,180.00	\$ 12,900.00
200603	\$ 120.00	\$ 110.00		\$ 1,640.00	\$ 560.00	\$ 360.00	\$ 36,280.00	\$ 3,150.00	\$ 18,220.00	\$ 60,210.00
200604	\$ 160.00			\$ 1,120.00	\$ 770.00	\$ 440.00	\$ 18,760.00	\$ 5,230.00	\$ 10,920.00	\$ 37,470.00
200605	\$ -			\$ 400.00	\$ 120.00	\$ 80.00	\$ 6,600.00	\$ 1,360.00	\$ 3,560.00	\$ 12,280.00
200606	\$ -			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
200607	\$ -			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
200608	\$ 150.00			\$ 2,770.00	\$ 1,950.00	\$ 1,200.00	\$ 63,530.00	\$ 16,350.00	\$ 35,410.00	\$ 121,360.00
200609	\$ -			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
200610	\$ -			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
200611	\$ -			\$ 540.00	\$ 160.00	\$ 240.00	\$ 7,440.00	\$ 1,640.00	\$ 3,660.00	\$ 13,680.00
200612	\$ -			\$ 960.00	\$ 390.00	\$ 420.00	\$ 7,920.00	\$ 2,500.00	\$ 5,340.00	\$ 17,530.00
200701	\$ -			\$ 15,500.00	\$ 3,090.00	\$ 1,500.00	\$ 17,620.00	\$ 4,290.00	\$ 8,700.00	\$ 50,700.00
200702	\$ 1,060.00			\$ 7,920.00	\$ 1,300.00	\$ 960.00	\$ 16,720.00	\$ 3,200.00	\$ 7,280.00	\$ 38,440.00
200703	\$ 3,140.00			\$ 4,680.00	\$ 1,070.00	\$ 560.00	\$ 16,800.00	\$ 3,030.00	\$ 4,920.00	\$ 34,200.00
Grand Total	\$ 4,630.00	\$ 110.00	\$ -	\$ 35,990.00	\$ 9,410.00	\$ 5,980.00	\$ 198,710.00	\$ 40,750.00	\$ 103,190.00	\$ 398,770.00

Direct Testimony
Barbara Meisenheimer
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Count of Low-income Bill Credits by Month

No. of Bill Credits	PLAN TYPE										
MONTH	LOW-INC- ARREARS-125	LOW-INC- ARREARS-185	LOW-INC- ARREARS-50	LOW-INC-BILL- ASST-125	LOW-INC-BILL- ASST-150	LOW-INC-BILL- ASST-50	LOW-INC- COMBO-125	LOW-INC- COMBO-150	LOW-INC- COMBO-50	Grand Total	
200602				14		5	327		191	537	
200603				36	20	15	576	144	316	1107	
200604	375	51		37	21	15	573	143	315	1530	
200605	949	51	6	37	21	15	562	142	313	2096	
200606	983	51	6	37	21	14	566	145	321	2144	
200607	983	51	6	37	21	14	565	142	321	2140	
200608	976	51	6	37	21	14	565	142	319	2131	
200609	971	51	6	37	21	14	564	142	319	2125	
200610	968	51	6	37	21	14	563	142	317	2119	
200611	675	38	4	33	20	14	330	101	170	1385	
200612	481	38	4	216	40	21	391	81	215	1487	
200701	479	37	4	223	42	22	377	76	205	1465	
200702	488	37	4	215	42	22	401	75	203	1487	
200703	483	37	4	210	42	21	407	73	202	1479	
Grand Total	8811	544	56	1206	353	220	6767	1548	3727	23232	

Direct Testimony
Barbara Meisenheimer
GR-2007-0208

Interest Calculation - Low-Income Bill Credit and Arrearage Repayment Incentive Programs

<u>Year/Month*</u>	<u>Bill Credit</u>	<u>Arrears</u> <u>Credit</u>	<u>Total</u> <u>Expenditures</u>	<u>Funding</u>	<u>Difference</u>	<u>Beginning</u> <u>Balance</u>	<u>Interest**</u>	<u>Ending</u> <u>Balance</u>
Oct-05			\$ -	\$ 75,000	\$ 75,000	\$ 75,000	\$ 578	\$ 75,578
Nov-05			\$ -	\$ 75,000	\$ 75,000	\$ 150,578	\$ 1,161	\$ 151,739
Dec-05			\$ -	\$ 75,000	\$ 75,000	\$ 226,739	\$ 1,748	\$ 228,487
Jan-06			\$ -	\$ 75,000	\$ 75,000	\$ 303,487	\$ 2,339	\$ 305,826
Feb-06	\$ 12,900	\$ -	\$ 12,900	\$ 75,000	\$ 62,100	\$ 367,926	\$ 2,836	\$ 370,762
Mar-06	\$ 60,210	\$ 500	\$ 60,710	\$ 75,000	\$ 14,290	\$ 385,052	\$ 2,968	\$ 388,020
Apr-06	\$ 37,470	\$ 1,710	\$ 39,180	\$ 75,000	\$ 35,820	\$ 423,840	\$ 3,267	\$ 427,107
May-06	\$ 12,280	\$ 98,150	\$ 110,430	\$ 75,000	\$ (35,430)	\$ 391,677	\$ 3,019	\$ 394,696
Jun-06	\$ -	\$ 23,990	\$ 23,990	\$ 75,000	\$ 51,010	\$ 445,706	\$ 3,436	\$ 449,142
Jul-06	\$ -	\$ 3,100	\$ 3,100	\$ 75,000	\$ 71,900	\$ 521,042	\$ 4,016	\$ 525,058
Aug-06	\$121,360	\$ 3,595	\$ 124,955	\$ 75,000	\$ (49,955)	\$ 475,103	\$ 3,662	\$ 478,766
Sep-06	\$ -	\$ 3,835	\$ 3,835	\$ 75,000	\$ 71,165	\$ 549,931	\$ 4,239	\$ 554,170
Oct-06	\$ -	\$ 2,405	\$ 2,405	\$ 75,000	\$ 72,595	\$ 626,765	\$ 4,831	\$ 631,596
Nov-06	\$ 13,680	\$ 8,680	\$ 22,360	\$ 75,000	\$ 52,640	\$ 684,236	\$ 5,274	\$ 689,510
Dec-06	\$ 17,530	\$ 7,930	\$ 25,460	\$ 75,000	\$ 49,540	\$ 739,050	\$ 5,697	\$ 744,747
Jan-07	\$ 50,700	\$ 650	\$ 51,350	\$ 75,000	\$ 23,650	\$ 768,397	\$ 5,923	\$ 774,320
Feb-07	\$ 38,440	\$ 645	\$ 39,085	\$ 75,000	\$ 35,915	\$ 810,235	\$ 6,246	\$ 816,481
Mar-07	\$ 34,200	\$ 645	\$ 34,845	\$ 75,000	\$ 40,155	\$ 856,636	\$ 6,603	\$ 863,239
			\$ 554,605	\$1,350,000	\$ 795,395		\$ 67,844	
Apr-07				\$ 75,000				
May-07				\$ 75,000				
Jun-07				\$ 75,000				
Jul-07				\$ 75,000				
Aug-07				\$ 75,000				
Sep-07				\$ 75,000				
				\$ 450,000				

*New rates went into effect Oct 1, 2005.

** Annual interest 9.25% as used by the Company for Customer Deposits calculation.

Direct Testimony
Barbara Meisenheimer
GR-2007-0208

Interest Calculation - Efficiency Rebate Programs

<u>Year/Month*</u>	<u>Rebates Disbursed</u>			<u>Total Expenditures</u>	<u>Funding</u>	<u>Difference</u>	<u>Beginning Balance</u>	<u>Interest**</u>	<u>Ending Balance</u>
	<u>Res</u>	<u>Com</u>	<u>Rental</u>						
Oct-05				\$ -	\$ 25,000	\$25,000	\$25,000	\$ 193	\$ 25,193
Nov-05				\$ -	\$ 25,000	\$25,000	\$ 50,193	\$ 387	\$ 50,580
Dec-05				\$ -	\$ 25,000	\$25,000	\$ 75,580	\$ 583	\$ 76,162
Jan-06				\$ -	\$ 25,000	\$25,000	\$ 101,162	\$ 780	\$ 101,942
Feb-06				\$ -	\$ 25,000	\$25,000	\$ 126,942	\$ 979	\$ 127,921
Mar-06				\$ -	\$ 25,000	\$25,000	\$ 152,921	\$ 1,179	\$ 154,099
Apr-06	\$ 750	\$ -	\$ -	\$ 750	\$ 25,000	\$24,250	\$ 178,349	\$ 1,375	\$ 179,724
May-06	\$ 10,250	\$ -	\$ 250	\$ 10,500	\$ 25,000	\$14,500	\$ 194,224	\$ 1,497	\$ 195,721
Jun-06	\$ 14,250	\$ 750	\$ 500	\$ 15,500	\$ 25,000	\$9,500	\$ 205,221	\$ 1,582	\$ 206,803
Jul-06	\$ 10,000	\$ -	\$ 250	\$ 10,250	\$ 25,000	\$14,750	\$ 221,553	\$ 1,708	\$ 223,261
Aug-06	\$ 8,500	\$ -	\$ -	\$ 8,500	\$ 25,000	\$16,500	\$ 239,761	\$ 1,848	\$ 241,609
Sep-06	\$ 16,750	\$ -	\$ 500	\$ 17,250	\$ 25,000	\$7,750	\$ 249,359	\$ 1,922	\$ 251,281
Oct-06	\$ 20,000	\$ -	\$ -	\$ 20,000	\$ 25,000	\$5,000	\$ 256,281	\$ 1,976	\$ 258,257
Nov-06	\$ 34,750	\$ 750	\$ 1,500	\$ 37,000	\$ 25,000	-\$12,000	\$ 246,257	\$ 1,898	\$ 248,155
Dec-06	\$ 17,000	\$ -	\$ 250	\$ 17,250	\$ 25,000	\$7,750	\$ 255,905	\$ 1,973	\$ 257,878
Jan-07	\$ 21,500	\$ -	\$ -	\$ 21,500	\$ 25,000	\$3,500	\$ 261,378	\$ 2,015	\$ 263,392
				\$ 158,500	\$400,000	\$241,500		\$ 21,892	
Feb-07					\$ 25,000				\$ 25,000
Mar-07					\$ 25,000				\$ 25,000
Apr-07					\$ 25,000				\$ 25,000
May-07					\$ 25,000				\$ 25,000
Jun-07					\$ 25,000				\$ 25,000
Jul-07					\$ 25,000				\$ 25,000
Aug-07					\$ 25,000				\$ 25,000
Sep-07					\$ 25,000				\$ 25,000
					\$200,000				

*New rates went into effect Oct 1, 2005.

** Annual interest 9.25% as used by the Company for Customer Deposits calculation.

Low-income Bill Credit Analysis

Line

Poverty Level by Household Size(2007)

			Household Size			
Poverty Level Range	1	2	3	4	5	6
25%	\$2,553	\$3,423	\$4,293	\$5,163	\$6,033	\$6,903
50%	\$5,105	\$6,845	\$8,585	\$10,325	\$12,065	\$13,805
75%	\$7,658	\$10,268	\$12,878	\$15,488	\$18,098	\$20,708
100%	\$10,210	\$13,690	\$17,170	\$20,650	\$24,130	\$27,610
125%	\$12,763	\$17,113	\$21,463	\$25,813	\$30,163	\$34,513
150%	\$15,315	\$20,535	\$25,755	\$30,975	\$36,195	\$41,415

SOURCE:Federal Poverty Level Federal Register Notice

Natural Gas Burden at 4% Based On Poverty Level by Household Size (2007)

Poverty Level Range			Household Size				
	1	2	3	4	5	6	
25%	\$102	\$137	\$172	\$207	\$241	\$276	
50%	\$204	\$274	\$343	\$413	\$483	\$552	
75%	\$306	\$411	\$515	\$620	\$724	\$828	
100%	\$408	\$548	\$687	\$826	\$965	\$1,104	
125%	\$511	\$685	\$859	\$1,033	\$1,207	\$1,381	
150%	\$613	\$821	\$1,030	\$1,239	\$1,448	\$1,657	

Source: Concept of 4% Natural Gas Burden Attributable To Roger Colton. See Direct Testimony GR-2001-292

Average Annual Residential Use (1)

884

(1) Therms From Mike Cline

Average Annual Residential Expenditures (2)

\$ 1,184.81

(2) Expenditures calculated on Sheet "POV LIHEAP Tables Bill Calc"

Average Winter Residential Use (1)

748.8

Average Annual Residential Expenditures (2)

\$ 947.98

Estimated Average Annual Bill Based On Household Size (2007)**

Poverty Level Range			Household Size			
	1	2	3	4	5	6
25%	\$1,066	\$1,066	\$ 1,184.81	\$1,185	\$1,303	\$1,303
50%	\$1,066	\$1,066	\$ 1,184.81	\$1,185	\$1,303	\$1,303
75%	\$1,066	\$1,066	\$ 1,184.81	\$1,185	\$1,303	\$1,303
100%	\$1,066	\$1,066	\$ 1,184.81	\$1,185	\$1,303	\$1,303
125%	\$1,066	\$1,066	\$ 1,184.81	\$1,185	\$1,303	\$1,303
150%	\$1,066	\$1,066	\$ 1,184.81	\$1,185	\$1,303	\$1,303

**Assumed 10% variation in household use based on family size

Shortfall or Excess of an Affordable Bill Absent Support

Poverty Level Range			Household Size			
	1	2	3	4	5	6
25%	(\$964)	(\$929)	(\$1,013)	(\$978)	(\$1,062)	(\$1,027)
50%	(\$862)	(\$793)	(\$841)	(\$772)	(\$821)	(\$751)
75%	(\$760)	(\$656)	(\$670)	(\$565)	(\$579)	(\$475)
100%	(\$658)	(\$519)	(\$498)	(\$359)	(\$338)	(\$199)
125%	(\$556)	(\$382)	(\$326)	(\$152)	(\$97)	\$77
150%	(\$454)	(\$245)	(\$155)	\$54	\$145	\$353

Poverty Level	Annual Shortfall	Monthly Shortfall	Group Average	Monthly Discount	Annual Discount
25%	\$996.00	\$83.00			\$960.00
50%	\$807.00	\$67.25	\$75.13	\$80.00	\$960.00
75%	\$618.00	\$51.50			\$600.00
100%	\$428.00	\$35.67	\$43.58	\$50.00	\$600.00
125%	\$239.00	\$19.92			\$240.00
150%	\$50.00	\$4.17	\$12.04	\$20.00	\$240.00

*Average Shortfall or Excess for Income Range (See Row 54-59)

Monthly Customer Level Pay

Poverty Level Range			Household Size			
	1	2	3	4	5	6
25%	\$9	\$9	\$19	\$19	\$29	\$29
50%	\$9	\$9	\$19	\$19	\$29	\$29
75%	\$39	\$39	\$49	\$49	\$59	\$59
100%	\$39	\$39	\$49	\$49	\$59	\$59
125%	\$69	\$69	\$79	\$79	\$89	\$89
150%	\$69	\$69	\$79	\$79	\$89	\$89

Poverty Level Range	Participants*	Discount	Discount Cost
50%	423	\$960.00	\$405,977
100%	427	\$600.00	\$256,275
150%	646	\$240.00	\$155,153
*Estimated from current program and 50% increase			\$817,405