

**Exhibit No.:**

**Issue(s):**

OPC & Staff Complaints

**Witness/Type of Exhibit:** Meisenheimer/Surrebuttal

**Sponsoring Party:**

Public Counsel

**Case No.:**

GC-2006-0318

**SURREBUTTAL TESTIMONY**

**OF**

**BARBARA A. MEISENHEIMER**

Submitted on Behalf of the Office of the Public Counsel

**LACLEDE GAS COMPANY**

CASE NO. GC-2006-0318

September 28, 2006

**NP**

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

Staff of the Public Service Commission  
of Missouri

v.

Laclede Gas Company

)  
)  
)  
)

**Case No. GC-2006-0318**

**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 surrebuttal testimony consisting of 7 pages and Attachment BAM SUR 1-3.
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.

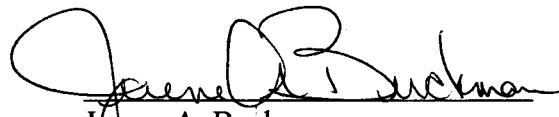


**Barbara A. Meisenheimer**

Subscribed and sworn to me this 28th day of September 2006.



JERENE A. BUCKMAN  
My Commission Expires  
August 10, 2009  
Cole County  
Commission #05754036



**Jerene A. Buckman**  
Notary Public

My Commission expires August 10, 2009.

**SURREBUTTAL TESTIMONY**

**OF**

**BARBARA A. MEISENHEIMER**

**LACLEDE GAS COMPANY**

**CASE NO. GC-2006-0318**

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

2     A.     Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel, P. O.  
3             2230, Jefferson City, Missouri 65102.

4     **Q.     DOES MR. FALLERT’S ADEQUATELY ADDRESS LACLEDE’S EXCESSIVE USE OF ESTIMATED**  
5             **BILLING?**

6     A.     No. Mr. Fallert’s testimony attempts to redirect the focus of this case away from Laclede’s  
7             failure to comply with Commission Rules over the past several years by describing the  
8             Company’s estimated billing practice as a by-product of implementing AMR. He then  
9             characterizes the impacts as “temporary”. As I discussed in my direct testimony and as  
10            described in the customer complaints (Attachment 1-HC), Laclede’s use of excessive  
11            estimated billing is longstanding. Trace devices that began failing around 2000 were not  
12            repaired or replaced. It may be that the Company chose to wait on replacements or repairs in  
13            anticipation of AMR deployment. But this delay does not excuse non compliance with  
14            Commission rules. In the interim, the Company was still obligated to abide by Commission  
15            Rules.

1 **Q. WHAT IS YOUR REACTION TO MR. FALLERT'S CLAIM IN HIS REBUTTAL TESTIMONY THAT**  
2 **CUSTOMERS HAVE SUFFERED NO HARM?**

3 A. I find Mr. Fallert's assertion that customers have not been harmed by Laclede's failure to  
4 abide by Commission Rules most troubling. He simply argues that customers were afforded  
5 more time to pay for service. His reasoning completely ignores that as a result of Laclede's  
6 estimated billing policy and procedure customers faced large and unanticipated billing  
7 adjustments. In addition they were denied a reasonable opportunity to curtail use to lower  
8 monthly bills.

9 **Q. MR. FALLERT CRITICIZES PUBLIC COUNSEL'S CONCERN ABOUT THE IMPACT OF ESTIMATED**  
10 **BILLING BY LIKEING IT TO BUDGET BILLING. IS THAT AN ACCURATE AND REASONABLE**  
11 **CHARACTERIZATION?**

12 A. No. The customer impacts of excessive estimated billing and budget billing are  
13 fundamentally different. Budget billing is a voluntary choice available to customers as a  
14 method of making bills more manageable. The budget bill is reconciled and adjusted  
15 predictably twice a year on the February and August bills. As a precaution against  
16 unanticipated large undercharges lingering through the end of winter, 50% of any overcharge  
17 is retained from the February adjustment. This method of billing adjustments works to make  
18 bills more manageable and adjustments predictable. The winter adjustment that appears on  
19 the February bill also provides a signal to customers who might have experienced high use in  
20 the early winter to reduce use in late February and March to lower heating expenses. I have

1 attached a copy of the Company's Budget Billing Plan tariff as Attachment BAM SUR 1 to  
2 this testimony.

3 **Q. IS THE RISK ASSOCIATED WITH BUDGET BILLING SIMILAR TO THE RISK ASSOCIATED WITH**  
4 **EXCESSIVE ESTIMATED BILLING?**

5 A. No. While it is true that by voluntarily accepting budget billing, customers affirmatively  
6 accept the risk of a later billing adjustment, the risk they assume is far different than the risk  
7 associated with excessive estimated billing. Chronic estimated billing subjects customers to  
8 the risk of large unanticipated lump sum adjustments at a time controlled by the Company.  
9 Estimated billing adjustments do not offer a predictable signal to control use. Finally, unlike  
10 budget billing, affected customers do not affirmatively choose such an adjustment. In my  
11 opinion, adherence to the Commissions Rules that generally allow for periods of only 3  
12 months of estimated billing are far more consistent with the benefits of budget billing than  
13 the unpredictable and volatile adjustments that Laclede has caused its customers to endure.

14 **Q. MR. FALLERT TRIES TO PAINT PUBLIC COUNSEL'S SUPPORT FOR THE COLD WEATHER RULE**  
15 **AS INCONSISTENT WITH OUR OPPOSITION TO LACLEDE'S PRACTICE OF EXCESSIVE**  
16 **ESTIMATED BILLING. IS THAT A FAIR OBSERVATION?**

17 A. No. The Cold Weather Rule assists customers by making service more affordable while  
18 establishing a predictable method and time period for payment. Under the Cold Weather  
19 Rule, customers can have a predictable level and time for repayment of arrears as well as the  
20 option to have the benefit of budget billing, which I discussed above. Mr. Fallert repeatedly

1 ignores the harmful impact to customers when they face unanticipated billing adjustments.  
2 As explained in direct testimony, the Commission's Order of Rulemaking addressed this  
3 issue: "[t]here exists good cause to limit the utilities' time period to collect undercharges.  
4 Customers have come to expect utilities to bill correctly and feel that it is unfair to them to  
5 pay for the utilities' errors. Customers may have changed their usage patterns had they been  
6 correctly billed by the utility and would have been denied that opportunity."

7 **Q. MR. FALLERT ASSERTS THAT CUSTOMERS ARE NOT HARMED BY A BILL ADJUSTMENT FOR**  
8 **AN EXCESSIVE UNDERCHARGE BECAUSE CUSTOMERS ARE ALLOWED TO PAY THE**  
9 **ADJUSTMENT OVER A LONGER PERIOD OF TIME THAN THEY WOULD HAVE BEEN ALLOWED**  
10 **IF LACLEDE HAD PROPERLY BILLED THE CUSTOMER. WHAT IS YOUR RESPONSE?**

11 A. Mr. Fallert does not give a full description of the conditions under which customers can  
12 repay undercharges. While he states that customers can repay an undercharge resulting from  
13 an estimated billing adjustment in installments, he fails to disclose that a customer must  
14 request this option according to CSR 240-13.020 (2)(E) which states, "When a utility  
15 underestimates a customer's usage, the customer shall be given the opportunity, if requested,  
16 to make payment in installments." If the customer is unaware of this safeguard, the customer  
17 may be asked to repay the undercharge in a single lump sum. In other words, the rule  
18 provides a benefit to the customer to pay in installments but cannot take advantage of it  
19 unless they are aware or made aware of it.

1   **Q.   MR. FALLERT ASSERTS AT PAGE 19 THAT PUBLIC COUNSEL'S INTERPRETATION OF**  
2       **COMMISSION RULE 4 CSR 240-13.025(1)(B) IS IMPLAUSIBLE AND ABSURD. WHAT IS YOUR**  
3       **RESPONSE?**

4   **A.**   Mr. Fallert mischaracterizes my testimony. He claims that I assert that adjustments for an  
5       undercharge must never exceed 12 months regardless of the circumstances. I made no such  
6       statement. In my testimony, I clearly stated the exceptions under which the Company has  
7       the right to bill for periods in excess of 12 months. Mr. Fallert, on the other hand, has simply  
8       failed to demonstrate that such an exception is applicable on a scale equal to the extent of  
9       Laclede's estimated billing. The Company admits that of the 21,000 Laclede customers who  
10      had at least 7 months of previously estimated bills and Laclede finally took an actual read by  
11      February, 12,447 had estimated bills for more than 12 consecutive months. (Response to  
12      OPC data request DR 13) While the Company claims that the number fell to 6,276 by July,  
13      2006, Laclede did not provide me with information to confirm the reduction. My most  
14      recent review of informal and formal complaints available on the Commission website  
15      indicates that Laclede continues its practices of excessive estimated billing and overcharging  
16      billing adjustments.

1     **Q.     DO YOU HAVE ADDITIONAL CONCERNS REGARDING CUSTOMERS WITH BILLS ESTIMATED**  
2     **FOR MORE THAN 12 CONSECUTIVE MONTHS AND LACLEDE’S ABILITY TO DEMONSTRATE**  
3     **THAT METER READINGS WERE ATTEMPTED AND CUSTOMERS WERE PROPERLY NOTIFIED?**

4     A.     Despite Public Counsel’s attempts to obtain the information, Laclede has provided very  
5     limited information useful in gauging the extent or duration of estimated billing.  
6     Commission Rule 4 CSR 240-13.020(2)(D) requires that when a utility renders an estimated  
7     bill in accordance with these rules, it shall maintain accurate records of the reasons for the  
8     estimate and the effort made to secure an actual reading. Laclede has not maintained such  
9     records. In response to OPC data request DR 16, Laclede admits that when unable to attain  
10    access to an inside meter, the meter reader is to note a “C” (for “Closed”) on the route slip.  
11    However, Laclede did not provide copies of route slips in response Public Counsel’s data  
12    request claiming that they are voluminous and are only kept for 2-3 months. Public Counsel  
13    also requested information and records demonstrating that the Company had attempted to  
14    contact a group of specific customers in order to obtain actual reads. Laclede’s responses  
15    failed to document that customers typically received notices consistent with the Commission  
16    rules regarding notice and record retention. I have included examples of the Company’s  
17    responses to OPC Data Request 14, 15, 18, and 19 as Attachment 2. Attachment 2 also  
18    includes staff summaries of contact with these customers and the Company during the period  
19    that the complaints were investigated. The staff summaries do not indicate that the Company  
20    notified customers as prescribed by the estimated billing rules.



1 **Q. MR. FALLERT SEEMS TO IMPLY THAT YOUR INTERPRETATION OF THE RULE WOULD**  
2 **REQUIRE THE COMPANY TO VIOLATE THE COLD WEATHER RULE THAT PROHIBITS**  
3 **DISCONNECTS. IS THIS CORRECT?**

4 A. No. The provisions of 4 CSR 240-13.025 (1)(B) and the Cold Weather Rule are not  
5 inconsistent. Subsection (2) of the Cold Weather Rule states that the provisions of the Cold  
6 Weather Rule takes precedence over other rules on the provision of heat-related residential  
7 utility service from November 1 through March 31.

8 **Q. MR. FALLERT ASSERTS THAT YOUR STATEMENT THAT LACLEDE'S ESTIMATING**  
9 **PROCEDURES WERE NOT APPROVED BY THE COMMISSION AS REQUIRED BY 4 CSR 240-**  
10 **13.020(2)(C)(1) IS INACCURATE. HOW DO YOU RESPOND?**

11 A. I don't disagree that Laclede has language in its tariff mirroring the Commission Rule on  
12 estimated billing procedures. The point I made on page 16 of my direct testimony is that  
13 Laclede's procedures in actual practice are not those approved by the Commission. As I  
14 discussed in direct testimony, the Company estimates and bills for undercharges in excess of  
15 three months without evidence of its inability to gain access. The Company also fails to take  
16 actual reads when customers have not self-read meters. Laclede adjusts bills to collect  
17 undercharges in excess of 12 monthly billing periods.

18 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

19 A. Yes.

**CANCELLING All Previous Schedules**

Laclede Gas Company

Name of Issuing Corporation or Municipality

Refer to Sheet No. R-1

Community, Town or City

**RULES AND REGULATIONS**

**Missouri Public Service Commission**

**REC'D OCT 16 1998**

**29. Budget Billing Plan**

The Company may offer a Budget Billing Plan ("Budget") to eligible customers, served under either the General Service, Seasonal Air Conditioning Service or General L.P. Gas Service rate schedules. Residential and small commercial customers, with no arrears, are eligible.

Under the Budget, an account is billed levelized monthly amounts, approximately equal to one-twelfth of the customer's projected annual bill, plus or minus an amount reflecting any beginning utility account balance. A customer's Budget amount is based on the recent twelve months of historical annual usage at the location where the customer receives gas service as adjusted for weather conditions, changes in gas rates, or other factors, such as, but not limited to, customer load changes. Where a customer does not have a twelve month consumption history at such location, the Company may choose to utilize either the usage history of the former occupant or other available information or factors, such as, but not limited to, system averages. The Company normally solicits participation in the Budget plan in July. However, if an eligible customer requests to be billed under the Budget at any other time during the year, a shortened Budget is established to coincide with the review of all Budget plan amounts in July.

The Budget accounts are reviewed by the Company in January and July of each year. Any utility account balance is rolled-in to the computation of the new Budget amount. A budget amount increase which is indicated during the January review becomes fully effective during February. A Budget amount decrease which is indicated during the January review is implemented such that 50% of the decrease is effective in February. A Budget amount decrease which is indicated during the July review is fully effective in August.

A customer may terminate their Budget any time upon request to the Company. The Company may terminate a customer's Budget after giving notice if the customer has been delinquent for two (2) consecutive billing periods. Upon termination, any Budget balance shall be applied to the customer's subsequent bill.

**Missouri Public Service Commission**

**98 - 374**

**FILED OCT 27 1998**

DATE OF ISSUE October 15, 1998

DATE EFFECTIVE October 15, 1998

ISSUED BY K.J. Neises, Senior Vice President, 720 Olive Street., St. Louis, MO 63101

ATTACHMENT

BAM

SURREBUTTAL

2

IS DEEMED

HIGHLY  
CONFIDENTIAL

ATTACHMENT

BAM

SURREBUTTAL

3

IS DEEMED

HIGHLY  
CONFIDENTIAL