

Exhibit No.:

Issue(s):

Witness/Type of Exhibit:

Sponsoring Party:

Case No.:

Bad Debt Expense

Trippensee/Rebuttal

Public Counsel

GR-2010-0171

REBUTTAL TESTIMONY

OF

RUSSELL W. TRIPPENSEE

Submitted on Behalf of the Office of the Public Counsel

LACLEDE GAS

Case No. GR-2010-0171

June 24, 2010

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

In the Matter of Laclede Gas Company's)
Tariff to Increase Its Annual Revenues for)
Natural Gas Service.)

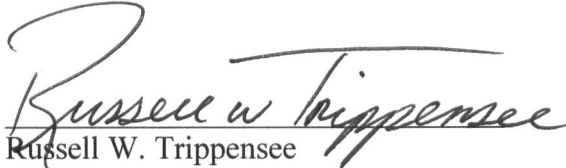
Case No. GR-2010-0171

AFFIDAVIT OF RUSSELL W. TRIPPENSEE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Russell W. Trippensee, of lawful age and being first duly sworn, deposes and states:

1. My name is Russell W. Trippensee. I am the Chief Public Utility Accountant for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal 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.


Russell W. Trippensee

Subscribed and sworn to me this 24th day of June 2010.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2013
Cole County
Commission #09754037


Jerene A. Buckman
Notary Public

My commission expires August 23, 2013.

REBUTTAL TESTIMONY
OF
RUSSELL W. TRIPPENSEE
LACLEDE GAS COMPANY
CASE NO. GR-2010-0171

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

2 A. Russell W. Trippensee. I reside at 1020 Satinwood Court, Jefferson City, Missouri 65109, and my
3 business address is P.O. Box 2230, Jefferson City, Missouri 65102.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am the Chief Utility Accountant for the Missouri Office of the Public Counsel (OPC or Public
6 Counsel).

7 **Q. ARE YOU THE SAME RUSSELL W. TRIPPENSEE WHO HAS FILED DIRECT**
8 **TESTIMONY IN THIS CASE?**

9 A. Yes.

10 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

11 A. I will address the direct testimony of Laclede witness James A. Fallert's position on bad debt expense
12 and the impact of the Cold Weather Rule. Mr. Fallert also addressed alternative treatments of Bad
13 Debt Expense with respect to either inclusion in the Purchase Gas Adjustment Clause (PGA) or
14 institution of a "tracker mechanism" for this expense.

15 **Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF MR. FALLERT'S POSITION**
16 **ON BAD DEBT EXPENSE IF PGA OR TRACKER TREATMENT IS NOT**
17 **AFFORDED THIS EXPENSE.**

18 A. Mr. Fallert performs a two-stage calculation to determine the level of bad debt expense he
19 recommends this Commission include in the revenue requirement. His calculation can be found on

1 Schedule RWT-2 to my rebuttal testimony. Please note that the handwritten line numbers were added
2 by me for ease of identification only in discussing this document.

3 Mr. Fallert averaged the actual net write-offs for a two-year period ending September 2009 as
4 recorded in Uniform System of Accounts (USOA) 144, Accumulated Provision for Uncollectible
5 Accounts. I discussed the purpose and use of this account in my direct testimony, page 3, lines 12 –
6 21 and page 4, line 12 through page 8, line 12. My direct testimony can be summarized by saying the
7 actual bad debt experience of a utility is reflected in Account 144, therefore a review of this account
8 yields the only reliable analysis of bad debt costs.

9 **Q. DID MR. FALLERT REVIEW ACCOUNT 144 AS THE BASIS FOR HIS**
10 **RECOMMENDATION?**

11 A. Yes. I would note that Mr. Fallert's workpaper (Schedule RWT-2.2) indicates he used a 3-year
12 average when in fact his percentage calculation is based on a 2-year average. I would assume this is
13 simply a typographical error or it was failure to revise template documents from Case No. GR-2007-
14 0208 when he recommended a 3-year average. I reviewed that same account data, however I looked
15 at over 10 years of data to determine if any trends have occurred, whether a nominal dollar or
16 percentage adjustment was appropriate, and if a relationship between bad debt write-offs and
17 revenues exist.

18 **Q. IS THERE A DIFFERENCE BETWEEN MR. FALLERT'S BASE BAD DEBT**
19 **EXPENSE LEVEL AND YOUR RECOMMENDED BASE BAD DEBT EXPENSE?**

20 A. Yes. Mr. Fallert's recommended level utilizes the two year average of actual net write-offs. He
21 compares those actual net write-offs to revenues for a corresponding period, thus developing a
22 percentage of revenue that he multiplies times the requested total new level of revenue resulting from

1 this case. I will refer to this portion of Mr. Fallert's recommendation as his base bad debt adjustment
2 throughout my testimony.

3 My recommendation is that actual net write-offs in nominal dollars without any gross-up for revenue
4 requirement increases be used because a historical analysis of actual net write-offs does not show a
5 linear relationship to revenue growth. (see Schedule RWT-3) Therefore, I believe that the revenue
6 requirement should reflect the actual dollars of bad debt experience and not an estimate based on
7 future revenue levels.

8 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT RATIONALE FURTHER.**

9 A. A review of the table found on page 10 of my direct testimony reveals that changes in actual net
10 write-offs often go in the opposite direction of revenue changes from year to year. In fact, using the
11 most current data up and through March 31, 2010 shows that revenues have increased by almost 28%
12 since March 2005 (\$199,282,289) but that actual net write-offs have declined by 2.8% (\$298,141).
13 Taking out the two years that reflect periods of the Great Recession (2008 & 2009), the level of actual
14 net write-offs has experienced essentially no material change since 2005.

15 The validity of the adjustment proposed by Mr. Fallert relies on a linear relationship between actual
16 net write-offs and revenues. My analysis clearly indicates that such a relationship does not exist using
17 either September or March ending data when looked at over a reasonable time period. In fact, had
18 Mr. Fallert reviewed a three year period instead of a two-year period, he would have found that
19 revenues went down as the Great Recession started but that actual net write-offs went up. This is the
20 exact opposite of a linear relationship upon which Mr. Fallert's adjustment is premised.

1 **Q. DOES A PERCENTAGE OF PROJECTED INCREASED REVENUES TO**
2 **RECOMMEND A BAD DEBT EXPENSE LEVEL INCLUDE ALL OF THE NOMINAL**
3 **DOLLAR NET WRITE-OFFS PLUS AN ADDITIONAL LEVEL OF BAD DEBT**
4 **EXPENSE?**

5 A. Yes, Mr. Fallert is effectively including all the nominal dollars of actual net write-offs that occurred
6 for the two years ending September 2009 because he multiplies his bad debt write-off percentage
7 times a projected revenue level that is higher than the revenues on which he developed his bad debt
8 write-off percentage.

9 **Q. CAN YOU PROVIDE AN EXAMPLE OF WHAT YOU MEAN?**

10 A. Yes. If the actual net write-offs for the two years were \$90 and \$110 respectively, your average in
11 nominal dollars would be \$100. If the corresponding revenues for the two years are \$900 and \$1,100
12 respectively, your average for the 2 years would be \$1,000. Your bad debt write-off percentage
13 would be 10% ($\$100 / \1000). Assuming a rate increase request that would result in annual revenues
14 of \$1,500 would result in a recommended bad debt expense of \$150 ($10\% * \$1,500$). Therefore, not
15 only is the \$100 included, but an additional \$50 is added to the nominal dollar amount.

16 **Q. DO YOU HAVE ANY OTHER COMMENTS ON MR. FALLERT'S USE OF A TWO**
17 **YEAR PERIOD TO ANALYZE ACTUAL NET WRITE-OFFS?**

18 A. Yes. The term normalization is used in regulatory practice to define the procedures used to analyze
19 costs that have some level of fluctuation over time. Historically this Commission accepted the
20 normalization of multiple cost functions such as bad debt expense, injuries and damages, overtime,
21 and plant maintenance. In this instance, a historical analysis reveals that the fluctuation in actual net
22 write-offs has not experienced significant fluctuations except during the Great Recession. I
23 recommended a 5-year average of actual net write-offs so as to recognize that over the last 6-years;

1 while there have been minimal fluctuations in general, a 5-year average ensures the inclusion of the
2 fluctuations during the Great Recession. I included the levels of actual net write-offs during the
3 periods encompassing the Great Recession to ensure that this extraordinary event does not adversely
4 impact Laclede's ability to earn a reasonable return over time.

5 Mr. Fallert's time frame only encompasses the Great Recession that has caused great financial turmoil
6 throughout in our country. He essentially states that the Great Recession is normal and is an
7 appropriate time frame upon which this Commission should determine a revenue requirement.
8 However, data shows that actual net write-offs have returned to annual levels that are the lowest in the
9 last 6 years.

10 **Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF MR. FALLERT'S ADJUSTMENT**
11 **TO HIS BASE BAD DEBT RECOMMENDATION TO RECOGNIZE THE IMPACT**
12 **OF THE COLD WEATHER RULE CHANGES.**

13 **A.** Mr. Fallert makes two adjustments to his base bad debt recommendation.

14 The first adjustment can be identified from Mr. Fallert's workpapers and testimony. Adjustment 5.a in
15 Laclede's filed case is for a 5-year amortization of costs alleged to have resulted from the
16 Commission's approved changes to the Cold Weather Rule (CWR) in Case No. GX-2006-0181. An
17 amortization was included in the revenue requirement in Laclede's last rate case, Case No. GR-2007-
18 0208 and Laclede has proposed to continue this amortization expense in the revenue requirement in
19 the current case. The impact of this adjustment to Mr. Fallert's base bad debt recommendation is to
20 increase revenue requirement by \$822,387.

1 The second adjustment is to include an amortization over 5-years so as to recognize in the revenue
2 requirement the Commission findings from Case No. GU-2007-0138. In that case the Commission
3 found that there was a level of costs resulting from the Cold Weather Rule in the amount of
4 \$2,494,311 plus interest. Mr. Fallert's 5-year amortization of this amount increases revenue
5 requirement by \$600,000.

6 The combined effect of these two adjustments related to the Cold Weather Rule increase revenue
7 requirement by \$1,422,387 above Mr. Fallert's base bad debt level. It must be reiterated that Mr.
8 Fallert's base bad debt adjustment is calculated using the actual bad debt experience of Laclede.

9 **Q. WAS LACLEDE ORDERED TO TRACK ADDITIONAL PAYMENTS AND**
10 **ARREARAGES RELATED TO CUSTOMER ACCOUNTS AND REPORT THAT**
11 **INFORMATION TO THE COMMISSION IN THE NEXT GENERAL RATE CASE?**

12 A. Yes, in ordered section 3 of the Report and Order in Case No. GU-2007-0138.

13 **Q. DID PUBLIC COUNSEL REQUEST THAT TRACKING INFORMATION IN THIS**
14 **RATE CASE AND HAS PUBLIC COUNSEL RECEIVED THAT INFORMATION?**

15 A. Yes. Public Counsel requested that information. Laclede initially objected to providing the
16 information along with other accounting entries to the financial system related to the Cold Weather
17 Rule. However Laclede provided a response to Public Counsel after the close of business on Friday,
18 June 4, 2010.

19 **Q. HAS PUBLIC COUNSEL BEEN ABLE TO ANALYZE THOSE RESPONSES?**

20 A. Yes. Public Counsel has analyzed the responses and received clarification from Mr. Fallert regarding
21 the information contained therein. This clarification was received in response to a verbal question
22 regarding the information on Monday, June 7, 2010.

1 **Q. PLEASE SUMMARIZE THE RESULTS OF YOUR ANALYSIS.**

2 A. Of the original 8,440 customer accounts identified in Case No. GU-2007-0138, 3,355 accounts have
3 been written off. Therefore approximately 5,491 accounts remain active. The 3,355 accounts written
4 off resulted in write-offs of \$3,212,092 since September, 2007. The 5,491 accounts that remain
5 active owed Laclede \$5,049,831 as of March 31, 2010.

6 **Q. DID THESE 8,440 CUSTOMER ACCOUNTS MAKE ANY PAYMENTS DURING**
7 **THE PERIOD SEPTEMBER, 2007 TO MARCH, 2010?**

8 A. Yes. These customers paid \$22,004,942 during the period referenced.

9 **Q. WHAT WAS THE TOTAL AMOUNT OWED LACLEDE BY THE 8,440 CUSTOMERS**
10 **AT THE MEASUREMENT DATE USED IN GU-2007-0138 TO DETERMINE THE**
11 **CWR AAO COST?**

12 A. These 8,440 customers owed Laclede \$5,874,743 of which \$2,479,661 of those account receivables
13 were deemed by the Commission to be "costs" of the CWR. The customers have paid Laclede an
14 amount that is approximately 3.75 times greater than the total amount owed as of the measurement
15 date of the alleged CWR costs.

16 **Q. DID YOUR ANALYSIS INCLUDE ALL OF THE \$3,212,092 OF ACTUAL**
17 **WRITE-OFFS RESULTING FROM CUSTOMERS WHO WERE PART OF THE**
18 **TRACKING SYSTEM ORDERED IN CASE NO. GU-2007-0138?**

19 A. Yes.

20 **Q. DID MR. FALLERT'S ANALYSIS CONTAIN A SIGNIFICANT PORTION OF**
21 **THAT \$3,212,092 OF ACTUAL WRITE-OFFS?**

1 A. Yes. Since Mr. Fallert analysis incorporated approximately 80% of the time frame when these write-
2 offs occurred.

3 Q. BASED ON THE INFORMATION CONTAINED IN THE DATA REQUEST
4 RESPONSE AND YOUR ANALYSIS OF THAT INFORMATION, PLEASE
5 EXPLAIN PUBLIC COUNSEL'S CONCERN REGARDING MR. FALLERT'S
6 PROPOSED ADJUSTMENT TO INCLUDE THE AMORTIZATION OF THE COLD
7 WEATHER RULE COSTS IN THE REVENUE REQUIREMENT.

8 A. Laclede is attempting to inflate the revenue requirement by increasing bad debt expense to reflect the
9 same dollars twice. Laclede has included in its base bad debt adjustment a significant portion of the
10 \$3,212,092 of write-offs of customers who were tracked in accordance with the Cold Weather Rule.
11 Additionally, Laclede is recommending that the amortization of Cold Weather Rules costs associated
12 with those same customers be added to its base bad debt adjustment.

13 Q. WHAT DO YOU MEAN THAT LACLEDE HAS INCLUDED A "SIGNIFICANT
14 PORTION" OF THE \$3,212,092 OF COLD WEATHER RULE CUSTOMER
15 WRITE-OFFS IN ITS BASE BAD DEBT ADJUSTMENT?

16 A. The response to OPC Data Request #43 sets out all of the Cold Weather Rule customer accounts that
17 have been written off and the amounts written off, however the specific date of each write-off was not
18 provided. These write-offs have occurred since the CWR measurement date of September 30, 2007.
19 Mr. Fallert's two-year analysis ending September 31, 2009 contains data from 24 of the 30 months
20 from September 2007 through the March 2010 known and measureable period. That equates to 80%
21 of the time frame over which the \$3 million plus in write-offs occurred.

1 **Q. ARE ALL OF THE WRITE-OFFS ASSOCIATED WITH THE COLD WEATHER**
2 **RULE CUSTOMERS INCLUDED IN PUBLIC COUNSEL'S FIVE-YEAR**
3 **ANALYSIS?**

4 A. Yes.

5 **Q. ARE THERE ANY OTHER EXPENSES OR COSTS ASSOCIATED WITH THE**
6 **PROVISION OF SERVICE TO THESE CWR CUSTOMERS?**

7 A. No. The actual costs written off to Account 144, Reserve for Uncollectible Accounts includes all
8 amounts billed to the customer for service received plus any other related charges that the customer
9 did not pay. The modifications to the CWR allowed the customer to delay paying portions of their
10 bill but did not relieve the customers' obligation to pay their bill. The process for recording all
11 customer related transactions on the financial records of Laclede provides assurance that a customer's
12 actual failure to fully pay its bill is reflected in Account 144.

13 **Q. DID THE ESTIMATES OF THE COST OF THE CWR MODIFICATIONS**
14 **UTILIZE ACTUAL COSTS OR ESTIMATES?**

15 A. The AAO's authorized by the Commission were to defer costs of the CWR modifications; however
16 as a CPA I would not even allow that the deferred amounts could be characterized as an estimate of
17 bad debt cost. Both CWR AAOs were based on methods that were an attempt to measure change in
18 the balance of accounts receivables owed by the customers to Laclede as a result of the CWR rule
19 modifications changes. A change in accounts receivable is not a cost but simply a change in what
20 someone owes Laclede. A change in accounts receivable balances can occur for a variety of reasons
21 including payments, credits or debts to the account, and write-off of the account.

1 Accounts Receivable accounts is impacted by all of the factors previously discussed and when looked
2 at in total, the ability to identify a specific factor is not possible. Whereas the sole purpose of
3 Account 144, Reserve for Bad Debts, is to record activity related to a customers' failure to pay. A
4 larger write-off as a result of modifications to the CWR is the only cost of that modification. If a
5 customer ultimately pays Laclede, there is no expense for Laclede and thus the revenue requirement
6 should not be increased. Public Counsel's five-year analysis of the Reserve for Bad Debts captures
7 all of the costs associated with the CWR modifications. The write-offs associated with the CWR
8 modifications are simply a sub-set of the total write-offs that are recorded in Account 144.

9 **Q. PLEASE ELABORATE ON WHY NEITHER ESTIMATION OF CHANGES IN**
10 **ACCOUNTS RECEIVABLE COULD ACCURATELY REFLECT THE ACTUAL COST**
11 **OF THE CWR MODIFICATIONS.**

12 **A.** There can be no disagreement that the actual cost of the CWR modifications is the impact or increase
13 in the actual bad debts of the utility with the respect to the specific customers who take advantage of
14 the CWR modifications to obtain service and then fail to pay the utility for that service and or any
15 existing payment obligations to the utility. Measurement of that actual cost cannot be made until such
16 time as the customer fails to pay and the utility must write-off that receivable from its financial
17 records.

18 The problem with both estimations used to develop the AAO costs was that the estimated costs were
19 premised on a change in the Accounts Receivable balance at the time the customer was able to
20 maintain or reestablish service as a result of the CWR modification. Neither AAO made provisions to
21 adjust these estimated costs to reflect actual costs.

1 **Q. IS A CHANGE IN THE ACCOUNTS RECEIVABLE BALANCE OF ANY UTILITY**
2 **A COST?**

3 A. No. The balance of Accounts Receivable simply reflects the amount of cash the utility expects to
4 collect from its customers in the future. The revenue resulting from the billing of the customer has
5 already been recorded on the income statement and an amount of expected bad debt expense has
6 already been recorded in Account 904, Uncollectible Expense, to reflect the amount of funds the
7 customer will not pay.

8 For ratemaking purposes, this Commission has consistently reviewed Account 144, Reserve for Bad
9 Debt, in order to adjust the level of Uncollectible Expense recorded to reflect a normalized level of
10 cost based on actual write-off experience.

11 **Q. PLEASE ELABORATE ON ACCOUNT 144'S PURPOSE.**

12 A. Accounts receivables are what is owed Laclede whereas the Reserve for Bad Debts (Account 144) is
13 the contra account to the accounts receivable balance. Account 144 reflects the level of accounts
14 receivable that Laclede estimates it will not be able to collect.

15 **Q. WOULD IT BE POSSIBLE TO MODIFY YOUR ANALYSIS OR LACLEDE'S**
16 **ANALYSIS OF ACTUAL NET WRITE-OFFS TO REFLECT THE AAO'S?**

17 A. Conceptually yes, although it would result in the same recommended level of bad debt expense as an
18 analysis of the total actual experience of net write-offs.

19 **Q. PLEASE EXPLAIN HOW SUCH AN ADJUSTMENT WOULD BE MADE.**

20 A. Utilizing Laclede's adjustment as a starting point, you would analyze the actual net write-offs to
21 determine your bad debt expense. The second step would be to determine the level of estimated costs
22 under the respective AAOs by customer that have actually been written off. These amounts would

1 then be removed from the net write-off experience to determine a "revised net write-off" in order to
2 not "double count" same costs associated with the individual customer. The final step would be to
3 add back the AAO cost amortization to the "revised net write-off".

4 The result of this exercise would be the same as simply performing the analysis of actual write-offs
5 and adjusting the level of Uncollectible Expense, Account 904 to that level. This would eliminate
6 any amortizations of the CWR AAOs to the extent they are reflected in Account 904.

7 **Q. WHY WOULD THE AMORTIZATIONS OF THE AAO NOT BE INCLUDED IN**
8 **ACCOUNT 144, RESERVE FOR BAD DEBTS?**

9 A. An AAO is a grant from this Commission of special treatment of costs created outside of Uniform
10 System of Accounts, General Accepted Accounting Practices, and actual events related to the billing
11 of customers and the customers paying those bills. In order for the AAO to be reflected in the
12 financial statements as an expense, it would need to be recorded on the Income Statement (as in
13 Account 904) and not the Balance Sheet (as in Account 144). Inclusion of the amortization in the
14 revenue requirement calculation would raise the revenue requirement.

15 **Q. DID THE COMMISSION RECOGNIZE THAT THE POTENTIAL FOR "DOUBLE**
16 **COUNTING" EXISTED IN CASE NO. GU-2007-01308?**

17 A. Yes. The Commission stated on page 18 of its Report & Order:

18 The Commission does, however, find that Public Counsel has legitimate concerns about
19 possible double recovery. For that reason, the Commission will direct Laclede to continue to track
20 payments and additional arrearages of the 8,440 affected customers after the cut-off date of
21 September 30, 2007. Laclede shall present its finding to the Commission for consideration at
22 Laclede's next rate case.

1 **Q. DID LACLEDE PLACE ANY EVIDENCE INTO THIS CASE ABOUT THE**
2 **CUSTOMER TRACKING SYSTEM AS REQUIRED IN CASE NO. GU-2007-**
3 **0138?**

4 A. No.

5 Public Counsel asked Laclede for this information on May 5, 2010. Laclede objected to the data
6 request on May 17, 2010. See Schedule RWT-7 for Laclede's objection. I have also attached OPC
7 data requests #41, #42, and #43 as Schedules RWT-4, RWT-5, and RWT-6 respectively for
8 reference.

9 **Q. DID LACLEDE ULTIMATELY PROVIDE THE INFORMATION REQUESTED?**

10 A. Yes, on June 6, 2010, Laclede provided the responses to data requests #41, #42, and #43.

11 **Q. WHAT DID AN ANALYSIS OF THE CWR CUSTOMER SPECIFIC TRACKING**
12 **DATA INDICATE?**

13 A. The data indicates that Mr. Fallert has recommended that this Commission "double count" the bad
14 debt costs associated with the CWR customers. As indicated previously, Mr. Fallert's analysis of the
15 actual net write-offs includes a significant portion of the \$3,212,092 of write-offs associated with the
16 tracked CWR customers. Mr. Fallert calculates a bad debt recommendation based on an analysis of
17 actual net write-offs that include the write-offs associated with the tracked CWR customers. Mr.
18 Fallert then adds to his recommended base amount an amortization of the estimated costs associated
19 with these same customers. The amount of the amortization is \$600,000.

20 While Mr. Fallert's workpapers do not show any recommendation regarding the AAO from Cases
21 GX-2006-0181 and GX-2006-0434, the absence of any adjustment to the amortization of those costs

1 in account 904, Bad Debt Expense, proves that amortization is included in Mr. Fallert's
2 recommended total level of bad debt expense for revenue requirement purposes.

3 **Q. DID LACLEDE TRACK ANY CUSTOMERS WITH REGARD TO THE COST**
4 **ESTIMATES USED IN CASE NO. GU-2007-0137?**

5 A. No, Laclede was not ordered to do so nor was the estimate based on customer specific information.

6 **Q. PLEASE COMMENT ON THE IMPLICATIONS OF NOT HAVING CUSTOMER**
7 **SPECIFIC INFORMATION ASSOCIATED WITH CASE NO. GU-2007-0137.**

8 A. Whether or not customer specific information was used in the development of the cost estimates for
9 the two AAOs resulting from modifications to the Cold Weather Rule; the regulatory principles and
10 financial recoding practices are the same. The actual bad debt costs associated with CWR customers
11 is recorded in Account 144. An analysis of this account was performed by all the parties who have
12 filed testimony on this issue. However, neither Laclede witness Fallert nor Staff witness Cassidy
13 made an adjustment to their analysis to eliminate the double counting associated with the AAOs
14 estimation of the same bad debt costs.

15 **Q. PLEASE SUMMARIZE PUBLIC COUNSEL'S POSITION.**

16 A. The inability of Laclede to collect monies it is owed is the primary cost associated with the
17 modifications to the Cold Weather Rule. The failure of a customer to pay their entire obligation
18 (recorded as an Account Receivable on Laclede's financial records) is the only time this cost will be
19 known and measurable. This failure of the customer to pay Laclede is recorded in Account 144,
20 Reserve for Bad Debts, as write-off of an customer bill, thus determining the actual cost. Laclede's
21 proposal to adjust its Base Bad Debt Expense Level to reflect the CWR AAOs results in double
22 counting the same customers with regard to those customers' bad debts. The customers' actual bad

1 debt is reflected in the Base Bad Debt Expense Level and an estimate of those customers' bad debts is
2 reflected in the CWR AAO amortizations. Laclede includes both in its recommended revenue
3 requirement.

4 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

5 **A. Yes.**

From: Fallert, Jim [JFallert@lacledegas.com]
Sent: Monday, May 10, 2010 10:19 AM
To: Trippensee, Russ
Cc: Buck, Glenn
Subject: Uncollectible Accounts Workpaper
Attachments: Customer Accounts Expense May 2010.pdf

Russ:

Attached is the uncollectible accounts adjustment workpaper that you requested. Please let me know if you need anything else.

Jim

James A. Fallert
Controller
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Laclede Gas Company
Mo. PSC Case No. GR-2010-
Section C, TEST YEAR
UTILITY OPERATING INCOME
STATEMENTS AND ADJUSTMENTS

LACLEDE GAS COMPANY
Customer Accounts Expense

Uncollectible Accounts Provision

1	Twelve months ended September 30, 2009 net revenues*				\$900,608
2	Normalization and Annualization Adjustments			General Rate Increase Revenue	
		Revenue at Base Rates	PGA Revenue		
3	Weather	97	(7,493)		
4	General Rate Load Changes	44	1,970		
5	C&I Rate Reclassification	150	0		
6	Customers Annualized	(99)	(69)		
7	Total	192	(5,592)	60,660	55,260
8	Twelve months ended September 30, 2009 normalized and annualized net revenues**				\$955,868
9	Percentage Loss Factor (3-year average write-off rate)			x	1.397%
10	Uncollectible accounts before effect of CWRB Amendment				13,353
11	CWRB Tracker				\$600
12	Normalized Uncollectible Accounts				\$13,953
13	Twelve months ended September 30, 2009 actual uncollectible account provision				12,100
14	Adjustment				\$1,853

* Excludes Large Volume sales

** Net Revenues equal customer revenues less Large Volume sales service revenues, Interruptible sales service revenues, Transportation and sales service revenues, provisions for refunds, and gross receipts taxes.

Laclede Gas Company
Case No. GR-2010-0171
Uncollectible Accounts Analysis
Account 144.1 - Reserve for Uncollectible Accounts
Net Write-Offs
As of 2010 - Account 144.7 was included in 144.1

	Fiscal Year Ending September 30	Year Ending March 31	SEPTEMBER YEAR END DATA				MARCH YEAR END DATA			
			Percentage Change in Net Write-Offs September 30	Corresponding Revenue - Prior November	Percentage Change in Corresponding Revenues	Net Write- Offs as Percentage of Revenue	Percentage Change in Net Write-Offs March 31	Corresponding Revenue - Prior May	Percentage Change in Corresponding Revenues	Net Write-Offs as Percentage of Revenue
1998	7,584,521	11,418,514								
1999	5,377,844	7,984,833				1.478%				
2000	4,583,253	8,173,384			30.34%	1.386%		634,449,282		1.288%
2001	5,379,382	10,526,961	22.17%	659,550,470	7.75%	1.484%	22.36%	712,243,107	12.26%	1.478%
2002	11,294,194	10,887,036	15.40%	710,662,936	11.01%	1.359%	3.31%	767,144,824	7.71%	1.419%
2003	7,481,476	10,831,456	1.68%	788,939,810	22.25%	1.177%	-0.51%	918,737,101	19.76%	1.179%
2004	9,139,788	11,827,895	5.85%	964,457,347	-9.72%	1.320%	8.42%	905,217,784	-1.47%	1.307%
2005	10,547,021	13,175,907	1.27%	870,738,168	7.62%	1.472%	10.23%	909,043,306	0.42%	1.449%
2006	10,724,705	10,228,820	19.97%	937,109,142			-28.81%	911,525,396	0.27%	1.122%
2007	11,352,394									
2008	11,496,280									
2009	13,791,919									
2010										
2-year average	12,644,100	11,702,364				1.382%				1.320%
3-year average	12,213,531	11,744,207				1.399%				1.286%
4-year average	11,841,325	11,516,020				1.322%				1.293%
5-year average	11,582,464	11,390,223				1.330%				1.264%
6-year average	11,175,351	11,246,346				1.356%				1.291%
						1.360%				1.317%
2-Year average excluding 2009		11,028,358								
3-Year average excluding 2009		10,962,724								
4-Year average excluding 2009		10,943,802								
5-Year average excluding 2009		10,860,434								

PUBLIC COUNSEL DATA REQUEST TO LACLEDE GAS COMPANY

NUMBER 41

CASE NO.: GR-2010-0171

REQUESTED BY: RUSS TRIPPENSEE

REQUESTED FROM: MIKE PENDERGAST

DATE OF REQUEST: MAY 5, 2010

INFORMATION REQUESTED: Please identify by date and amount all adjustments to Account 144 to reflect the impact of all the Cold Weather Rule Accounting Order amortizations for the period January 1, 2000, to March 31, 2010. Please identify where these adjustments to Account 144 are reflected in the response to Staff Data Request 33 & 33.1.

THIS RESPONSE INCLUDES:

Printed Materials ____ Total Pages Magnetic Media __ Number of disks or tapes
Please number each section of multiple pages as: File formats for data: _____

of Total

LIST PRINTED MATERIALS AND/OR FILES INCLUDED:

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present known facts to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

DATE RECEIVED: _____

SIGNED BY: _____

TITLE: _____

PUBLIC COUNSEL DATA REQUEST TO LACLEDE GAS COMPANY

NUMBER 42

CASE NO.: GR-2010-0171

REQUESTED BY: RUSS TRIPPENSEE
REQUESTED FROM: MIKE PENDERGAST
DATE OF REQUEST: MAY 5, 2010

INFORMATION REQUESTED: Please provide a schedule reflecting all financial entries (dates, accounts numbers and titles, and amounts) reflecting the recording of all accounting authority orders related to the Cold Weather Rule for the period January 1, 2001 to March 31, 2010.

THIS RESPONSE INCLUDES:

Printed Materials ____ Total Pages Magnetic Media ____ Number of disks or tapes

Please number each section of multiple pages as: File formats for data: _____

of Total

LIST PRINTED MATERIALS AND/OR FILES INCLUDED:

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present known facts to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

DATE RECEIVED: _____

SIGNED BY: _____

TITLE: _____

PUBLIC COUNSEL DATA REQUEST TO LACLEDE GAS COMPANY

NUMBER 43

CASE NO.: GR-2010-0171

REQUESTED BY: MARC POSTON
REQUESTED FROM: MIKE PENDERGAST
DATE OF REQUEST: MAY 5, 2010

INFORMATION REQUESTED: In Case No. GU-2007-0138, the Commission authorized Laclede to defer \$2,494,311 as costs caused by the Cold Weather Rule amendment as of September 30, 2007. Laclede appears to propose recovery of the entire \$2,494,311 plus interest.

- a. For each of the 8,440 accounts, please provide the total payments made on each account since September 30, 2007. Please provide in an electronic format consistent with Laclede's response to OPC DR#23.
- b. Please provide a list of all accounts included in the 8,440 accounts that were written off to the bad debts reserve (account 144) since September 30, 2007, including the dollar amount written off to bad debts. Please provide in an electronic format consistent with Laclede's response to OPC DR#23.
- c. Please also provide an accounting of all monies or other considerations received by Laclede by customer account if applicable as a result of turning any of the 8,440 accounts over to collections since September 30, 2007 (this includes any amounts received by Laclede from collections agencies to acquire the account receivable). Please detail how these transactions were accounted for on Laclede's financial records.

THIS RESPONSE INCLUDES:

Printed Materials ____ Total Pages Magnetic Media ____ Number of disks or tapes
Please number each section of multiple pages as: File formats for data: _____

of Total

LIST PRINTED MATERIALS AND/OR FILES INCLUDED:

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present known facts to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

DATE RECEIVED: _____ SIGNED BY: _____

TITLE: _____

Trippensee, Russ

From: Poston, Marc
Sent: Monday, May 17, 2010 4:18 PM
To: Trippensee, Russ
Subject: FW: Objection to DRs 41-43
Attachments: Objection to OPC DR 41-43.pdf

Laclede objection to the CWR DRs.

From: Zucker, Rick [mailto:RZucker@lacledegas.com]
Sent: Monday, May 17, 2010 4:05 PM
To: Poston, Marc
Cc: Pendergast, Mike
Subject: Objection to DRs 41-43

Marc:

Attached is our objection to DRs 41-43. Please feel free to call to discuss these DRs.

Thanks,

Rick Zucker
Assistant General Counsel
Laclede Gas Company
720 Olive Street, Suite 1516
St. Louis, MO 63101
314-342-0533 (Office)
314-575-5557 (Cell)
314-421-1979 (Fax)
rzucker@lacledegas.com

May 17, 2010

VIA ELECTRONIC MAIL

Marc Poston
Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Re: Case No. GR-2010-0171; Objection to Office of Public Counsel Data Requests ("DRs")

Dear Marc:

Pursuant to 4 CSR 240-2.090(2), I am writing to object to DR Nos. 41-43. The reasons supporting this objection are provided below.

Laclede objects to DR Nos. 41 and 42 as being overly broad, unduly burdensome, and not calculated to lead to the discovery of admissible evidence in the Company's current rate case. DR 41 seeks information on adjustments to Account 144 all the way back to January 1, 2000. This DR also asks Laclede to identify where these adjustments are reflected in Staff Data Requests 33 and 33.1. However, I would note that Staff's requests sought information only back to Fiscal 2007. We fail to see how digging up accounting entries for Cold Weather Rule adjustments back to 2000 is going to be relevant to a 2010 rate case.

Likewise, DR 42 seeks a schedule with all financial entries on Cold Weather Rule AAOs back to 2001. Again, there is no connection of this information to the current rate case that would warrant the burdensome effort needed to unearth it.

Finally, in Case No. GU-2007-0138, the Commission granted Laclede an AAO for approximately \$2.5 Million in connection with 8,440 gas accounts. We understand that Public Counsel opposed the Commission's order in this case, and unsuccessfully appealed the order all the way through the Missouri court system. Although the amendment to the Cold Weather Rule did not require it, at Public Counsel's request and with Laclede's cooperation, the Commission's order in GU-2007-0138 directed Laclede to track payments and additional arrearages after September 30, 2007, on the 8,440 accounts covered in that case. We are prepared to produce that information and share it with you, including in electronic form. We believe that this information will address your information request. However, we reserve objection to DR 43 to the extent it requires Laclede to assume the burden of creating new reports. At the very least, such reports would not be available for some time after the 20-day deadline.

If you wish to further discuss this matter, please feel free to contact me, or Mike Pendergast at 314-342-0532, at your convenience.

Sincerely,

Rick Zucker

Rick Zucker

Assistant General Counsel, Laclede Gas Company
314-342-0533

cc: Mike Pendergast

RWT-7.2