

*Exhibit No.:*  
*Issues:* *Cash Working Capital*  
*Witness:* *MARK D. GRIGGS*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Rebuttal Testimony*  
*Case No.:* *GR-99-315*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**MARK D. GRIGGS**

**FILED**  
AUG 5 1999  
Missouri Public  
Service Commission

**LACLEDE GAS COMPANY**

**CASE NO. GR-99-315**

*Jefferson City, Missouri*  
*August, 1999*

**REBUTTAL TESTIMONY**  
**OF**  
**MARK D. GRIGGS**  
**LACLEDE GAS COMPANY**  
**CASE NO. GR-99-315**

Q. Please state your name and business address.

A. Mark D. Griggs, 815 Charter Commons, Suite 100B, St. Louis, Missouri  
63017.

Q. Are you the same Mark D. Griggs who has previously filed direct  
testimony in this case?

A. Yes, I am.

Q. What is the purpose of this Rebuttal Testimony?

A. The purpose of this testimony is to address the direct testimony of  
Company witness Glenn W. Buck with regard to the cash working capital collection lag  
and the inclusion of uncollectible accounts in the cash working capital study.

**COLLECTION LAG**

Q. What has the company proposed for the collection lag for residential and  
commercial/small industrial customers?

A. The Company has proposed a collection lag of 34.8 days.

Q. Is 34.8 days a reasonable estimate for the collection lag for residential and  
commercial/small industrial customers?

A. No, it is not. Residential customers have 21 days before their bills are  
considered delinquent, while commercial and small industrial customers have 15 days. If

1 it were assumed that all customers waited until the last day before the bill becomes  
2 delinquent to pay their bills, the expected collection lags would be 21 days for residential  
3 customers and 15 days for commercial/small industrial customers. When weighted by  
4 their respective amounts of revenues, these expected lags would produce a composite lag  
5 of 19.4 days. This does not consider the effect of customers who pay their bills several  
6 days before the delinquent date. Thus, a collection lag of 34.8 days is nearly twice as  
7 long as the collection lag produced when it is assumed that all customers pay their bills  
8 within the delinquent period.

9 A collection lag of 34.8 days implies that in the aggregate, all customers delay  
10 payment until receiving the following month's bill. This collection lag also implies that,  
11 in the aggregate, all Laclede customers would incur late payment charges.

12 Q. Is it reasonable to assume that the impact of Cold Weather Rule customers  
13 could increase the collection lag to 34.8 days?

14 A. No, it is not. In his testimony, Company witness Glenn W. Buck states  
15 that five percent of Laclede's customers are on special payment plans. If it were assumed  
16 that five percent of residential customer revenues are derived from Cold Weather Rule  
17 customers and that the remainder of the company's customers pay their bills on time,  
18 Cold Weather Rule customers would need to have an average collection lag of 436.1 days  
19 in order to produce an overall collection lag of 34.8 days. It is unreasonable to assume  
20 that even Cold Weather Rule customers, in the aggregate, would have a collection lag of  
21 436.1 days. A lag of 436 days would reflect no payment, on average, for 436 days after  
22 bills are rendered. However, under a payment arrangement, a portion of the outstanding  
23 amount plus the customer's current bill would be paid monthly.

1 Q. Is it appropriate to allow the revenue lag for approximately 600,000  
2 customers to be skewed by the paying habits of 30,000 customers?

3 A. No, it is not. The result would not be representative of the paying habits  
4 of the vast majority of customers.

5 Q. How many payment arrangement customers are included in the sample  
6 used by Staff?

7 A. Based upon Staff's count, 22 customers are under payment arrangements  
8 under the Cold Weather Rule. Cold Weather Rule customers represent 9% of residential  
9 customers included in the sample, and 8% of total customers included in the sample.  
10 Mr. Buck states that 5% of customers are on special payment plans. Thus, the sample  
11 more than compensates for these customers by including a greater percentage than the  
12 population as a whole.

13 Q. On page 8 of his direct testimony, Company witness Buck cited Case No.  
14 TC-93-224, Southwestern Bell Telephone Company, as a case in which the Commission  
15 adopted the use of an accounts receivable turnover analysis to determine the collection  
16 lag. Does this Order show that the Commission has a preference for the accounts  
17 receivable turnover method as opposed to the sample method?

18 A. No, it does not. In its Order in Case No. TC-93-181, United Telephone  
19 Co., the Commission adopted the use of a sample to determine the collection lag.  
20 Therefore it can not be assumed that the Commission has a preference for the accounts  
21 receivable turnover method.

22 **UNCOLLECTIBLE ACCOUNTS**

23 Q. Is the company's treatment of uncollectible accounts appropriate?

1           A.     No, it is not. Uncollectible accounts are in effect the absence of cash and  
2 are therefore a non-cash item. By including uncollectible accounts in its cash working  
3 capital study, the company has given cash treatment to a non-cash item. The  
4 Commission has historically treated uncollectible accounts as a non-cash item.

5           Q.     Does the Staff agree with the Company's attempt to give ratepayers credit  
6 for the effects of uncollectible accounts as described on page 8 of Mr. Buck's direct  
7 testimony?

8           A.     No. Including a non-cash item in cash working capital is not an effective  
9 method for adjusting the collection lag. Although Mr. Buck states that the Company has  
10 reduced cash working capital for the effect of uncollectible accounts, the Company has  
11 actually increased the cash working capital requirement for a portion of uncollectibles.  
12 Mr. Buck's inclusion of uncollectibles in cash working capital to somehow adjust the  
13 collection lag only highlights the problem with using the company's approach.

14          Q.     Does this conclude your Rebuttal Testimony?

15          A.     Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**

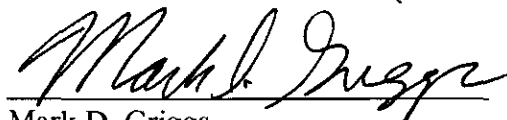
**OF THE STATE OF MISSOURI**

In the Matter of )  
Laclede Gas Company's Tariff ) Case No. GR-99-315  
to Revise Natural Gas Rate Schedules. )


**AFFIDAVIT OF MARK D. GRIGGS**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

Mark D. Griggs, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 4 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
Mark D. Griggs

Subscribed and sworn to before me this 4th day of August 1999.

  
RR

Notary Public, State of Missouri  
County of

My Commission Expires June 1, 2001 RR

NOTARY PUBLIC  
STATE OF MISSOURI  
COMMISSION EXPIRES  
JUNE 1, 2001