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Tariff Issues

Barb Meisenheimer

Rebuttal

Public Counsel

GT-2008-0374

November 18, 2008

REBUTTAL TESTIMONY

OF

BARBARA A. MEISENHEIMER

Submitted on Behalf of
the Office of the Public Counsel

Laclede Gas Company

Case No. GT-2008-0374

November 18, 2008

NP

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

In the Matter of the Laclede Gas Company)
Tariff Filing to Allow Estimated Billing)
Whenever an Automatic Meter Reader Fails)
to Send Readings of Actual Usage.)

Case No. GT-2008-0374

AFFIDAVIT OF BARBARA A. MEISENHEIMER

STATE OF MISSOURI)
)
COUNTY OF COLE) ss

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

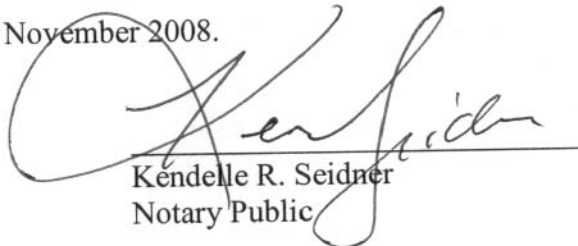
1. My name is Barbara A. Meisenheimer. I am Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the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


Barbara A. Meisenheimer

Subscribed and sworn to me this 18th day of November 2008.



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


Kendelle R. Seidner
Notary Public

My Commission expires February 4, 2011.

REBUTTAL TESTIMONY
OF
BARBARA A. MEISENHEIMER
LACLEDE GAS COMPANY

CASE NO. GT-2008-0374

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.

I have been with the Office of the Public Counsel since January 1996. I have testified on economic issues and policy issues in the areas of telecommunications, gas, electric, water and sewer.

Over the past 10 years I have also taught courses for the University of Missouri-Columbia, William Woods University, and Lincoln University. I currently teach undergraduate and

graduate level economics courses and undergraduate statistics for William Woods University.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION AS AN EXPERT WITNESS?

A. Yes, I have testified regularly before the Missouri Public Service Commission. (PSC or Commission). Specific to Laclede Gas Company (Laclede), I testified on class cost of service, rate design and tariff issues in previous Laclede rate cases. I also testified in Public Counsel's 2006 Complaint regarding estimated billing, Case No. GC-2006-0318.

Q. WHAT MATERIAL HAVE YOU REVIEWED THAT IS RELEVANT TO THE PROPOSED TARIFF?

A. I reviewed Commission Rule 4 CSR 240-13, the Company's current and proposed tariffs, the direct testimony of Company witness Mr. Wildeisen and portions of consumer complaints filed with the PSC. In addition, I have participated in meetings with the Company regarding the status of AMR installations.

Q. PLEASE RESPOND TO COMPANY WITNESS MR. WILDEISEN'S CHARACTERIZATION OF THE PURPOSE OF THE AMENDED TARIFF PROPOSED BY LACLEDE IN THIS CASE.

A. Mr. Wildeisen characterizes the purpose of the proposed amended tariff as memorializing the Company's service obligations when a gas meter has stopped or failed to register or provide readings of actual usage. He states that, "in such cases, the Company will (i) maintain a written procedure for determining when a failure occurs; (ii) react within 10

1 business days by either visiting the site to correct the failure or sending notice advising the
2 customer that the bill is being estimated and asking the customer to make an appointment
3 with Laclede to have the meter repaired; and (iii) if the customer does not respond, continue
4 to send notices at least once for each full billing period thereafter.” He also characterizes the
5 tariff as “amended to reflect the input Laclede has received from Staff and Public Counsel.”

6 **Q. DO YOU AGREE WITH MR. WILDEISEN’S CHARACTERIZATIONS?**

7 A. Mr. Wildeisen’s characterizations do not provide a complete picture of the potential impacts
8 of the proposed amended tariff. Specifically, he failed to acknowledge that the tariff
9 insulates Laclede against potential problems with AMR, accelerates Laclede’s ability to
10 initiate disconnections for some consumers and appears inconsistent with other provisions of
11 the Company’s tariff. Despite Mr. Wildeisen’s suggestion that the tariff was amended to
12 reflect input from Staff and Public Counsel, Laclede’s amended tariff does not alleviate
13 Public Counsel’s concerns.

14 **Q. PLEASE SUMMARIZE PUBLIC COUNSEL’S CONCERNS WITH THE AMENDED TARIFF.**

15 A. 1) The amended tariff appears to seek Commission approval to expand the conditions
16 for which Laclede may estimate bills to include not only occasions when a gas meter stops or
17 fails to register, but also when there is a failure to provide readings of actual usage.
18 Following widespread AMR deployment, problems with AMR have surfaced, including
19 equipment failures and weak signals that cause incomplete transmission of meter readings.
20 The Company has mentioned, but not fully described, the extent of the potential problems in

1 its testimony. The Company should address these issues prior to expanding its ability to
2 estimate bills. In a recent complaint case, Laclede characterized AMR as a method to
3 virtually eliminate estimated billing, yet the Company now seeks to memorialize AMR
4 failures as a reason to estimate bills. Public Counsel is unwilling to support a tariff proposal
5 that weakens Laclede's responsibility to provide customers' bills based on actual meter
6 readings.

7 2) The proposed amended tariff identifies detection procedures for determining when a
8 gas meter has stopped or failed to register or provide readings of actual usage. These
9 procedures may change solely at the discretion of the Company. Public Counsel cautions
10 that this tariff change not be viewed as Public Counsel's and Staff's acquiescence to
11 procedures determined at the discretion of the Company which neither Staff nor Public
12 Counsel has control over or advanced some initial input.

13 3) Under the existing tariff, customers are allowed the option to provide regular "self
14 reads" when the Company is unable to gain access to the customer's premise to read the
15 meter. If the customer submits "self reads" regularly, the customer would not be threatened
16 with disconnection. However, under the proposed tariff after the initial notice is mailed
17 following detection of a problem with the meter reading, the customer has only 30 days to
18 allow access to the customer's premises before the Company can initiate disconnection
19 pursuant to Rule 14, Discontinuance of Service. This is a significant change to the existing
20 tariff that may adversely affect some customers' ability to retain service. Further, based on

1 informal complaints received by the Commission's Consumer Services Department, Public
2 Counsel is concerned that delays in updating account information or account inaccuracies
3 may cause unwarranted threats of disconnection if the proposed tariff is approved.

4 4) The proposed tariff appears to be inconsistent with other provisions in the
5 Company's tariff that the Company has not requested to change. These include Sheet R-6-a
6 Part 6. (3) which addresses appointment times for meter reading; Sheet R-6-a Part 6. (4)
7 which addresses customer provided readings prior to disconnect; R-11 12 which addresses
8 annual reading and reasonable time conditions that link to disconnect provisions of Rule 14
9 (1) (E).

10 5) The proposed tariff identifies a number of items as lawful reasons for Laclede to
11 discontinue service that under certain circumstances may not be lawful reasons for
12 disconnection. The actions the Company identifies as lawful reasons to discontinue service
13 include failure to grant the Company access for the purpose of installing a meter or a meter
14 reading device, or for performing routine maintenance, or for non-payment of utility service.

15 To the contrary, under the existing tariff, it is not lawful for the Company to discontinue
16 service for customers that refuse to pay disputed portions of a bill pending investigation of
17 the charges or to delay providing access for more than 30 days for non health or safety
18 related reasons provided the customer is supplying self reads. "Any other lawful reason" is
19 too broad and the specific identified acts are not unlawful under all circumstances.

1 6) The proposed tariff could affect revenues associated with disconnects and
2 reconnects. As described above, the tariff expands Laclede's ability to initiate
3 disconnections. If Laclede increases disconnections resulting in greater revenues associated
4 with both disconnections and reconnections the proposed amended tariff would be better
5 addressed in a rate case.

6 **Q. PLEASE RESTATE YOUR FIRST CONCERN WITH THE PROPOSED AMENDED TARIFF.**

7 A. 1) *The amended tariff appears to seek Commission approval to expand the conditions*
8 *for which Laclede may estimate bills to include not only occasions when a gas meter stops or*
9 *fails to register, but also when there is a failure to provide readings of actual usage.*
10 *Following widespread AMR deployment, problems with AMR have surfaced, including*
11 *equipment failures and weak signals that cause incomplete transmission of meter readings.*
12 *The Company has mentioned, but not fully described, the extent of the potential problems in*
13 *its testimony. The Company should address these issues prior to expanding its ability to*
14 *estimate bills. In a recent complaint case, Laclede characterized AMR as a method to*
15 *virtually eliminate estimated billing, yet the Company now seeks to memorialize AMR*
16 *failures as a reason to estimate bills. Public Counsel is unwilling to support a tariff*
17 *proposal that weakens Laclede's responsibility to provide customers' bills based on actual*
18 *meter readings.*

19
20
21 **Q. HAVE AMR RELATED EQUIPMENT FAILURES AND WEAK SIGNALS RESULTED IN ESTIMATED**
22 **BILLING?**

23 A. Yes. Schedule 1-HC includes a sample of documents illustrating these problems. The
24 sample documents were obtained from EFIS from twelve informal complaints investigated
25 by the Company and the Staff Consumer Services Department. The Schedule has been
26 designated as confidential because it contains specific customer account information. The

1 first document related to each investigation illustrates the Company's description of the
2 circumstances related to the informal complaint. The documents that follow illustrate the
3 Staff's tracking information and other materials related to each informal complaint. A
4 summary of the issues raised in each informal complaint is provided on the Schedule 1-HC
5 Index.

6 Based on the Company responses to Staff inquiries regarding these customer
7 complaints, it is clear that Laclede has experienced problems with stalled AMRs that in some
8 cases affected the same customer two or even three times. There are also problems with
9 inaccurate equipment settings that have resulted in estimated billing and errors in
10 transferring and updating data to the Company's billing system. These errors have resulted
11 in estimated billing and unnecessary notices for service calls. In a complaint forwarded to
12 the Staff by the Missouri Attorney General, it appears that Laclede is aware of weak signal
13 infrastructure problems, though intermittent, have continued for more than two years, and
14 resulted in estimated billing and repeat service calls.

15 **Q. HAS THE COMPANY PREVIOUSLY EXPRESSED THE NEED TO MEMORIALIZE "A FAILURE TO**
16 **PROVIDE READINGS OF ACTUAL USAGE" AS A REASON FOR ESTIMATING BILLS?**

17 **A.** No. In fact, in a recent complaint case, Company witness Mr. Fallert indicated that Laclede's
18 deployment of AMR would virtually eliminate the necessity to estimate bills by ensuring
19 that actual meter readings can be obtained each month from all of the Company meters. An
20 excerpt of Mr. Fallert's testimony from Case No. GC-2006-0318 follows;

1 **Q. Was the implementation of a new AMR**
2 **system an overnight development?**

3 A. Not at all. Laclede recognized from the outset
4 that the implementation of a new AMR
5 system across its entire service territory would
6 have significant, long-term implications for
7 the cost and quality of the service it provides
8 to its customers. Given this consideration,
9 Laclede went to extraordinary lengths over a
10 four year period to make sure that it
11 thoroughly explored the potential
12 technologies, vendors and options for
13 implementing such a system; a process that
14 ultimately led the Company to explore the
15 offerings of several entities. And when
16 negotiations toward the final contract ensued,
17 Laclede went to great pains to fashion the
18 most advantageous arrangement possible in
19 terms of cost, reliability and service.

20 **Q. What was the end result of this effort?**

21 A. The end result was the selection of a state-of-
22 the art AMR system that, once fully
23 implemented, will provide the most
24 significant advancement in customer service
25 ever undertaken by Laclede. With this system,
26 Laclede will be able to virtually eliminate the
27 necessity to estimate bills by ensuring that
28 actual meter readings can be obtained each
29 month from all of the Company meters,
30 including those that are located inside
31 customer's homes or businesses. In addition
32 to obtaining actual reads, customers with
33 manually read inside meters will be further
34 spared the inconvenience of having to wait for
35 a gas company employee to show up and
36 perform meter reading tasks in their homes.
37 AMR will also free tens of thousands of
38 customers each year from the obligation to

1 pay service initiation charges when
2 establishing a new account. Finally, AMR
3 will permit the Company to contain the cost of
4 obtaining and processing meter readings for
5 years to come – a result that will accrue to the
6 long-term benefit of all of Laclede's
7 customers.

8 **Q. PLEASE RESTATE YOUR SECOND CONCERN WITH THE PROPOSED AMENDED TARIFF.**

9 **A.** *2) The proposed amended tariff identifies detection procedures for determining when a*
10 *gas meter has stopped or failed to register or provide readings of actual usage. These*
11 *procedures may change solely at the discretion of the Company. Public Counsel cautions*
12 *that this tariff change not be viewed as Public Counsel's and Staff's acquiescence to*
13 *procedures determined at the discretion of the Company which neither Staff nor Public*
14 *Counsel has control over or advanced some initial input.*

15 **Q. DO YOU BELIEVE IT IS NECESSARY FOR LACLEDE TO DISCUSS ITS DETECTION PROCEDURES**
16 **IN THE PROPOSED AMENDED TARIFF?**

17 **A.** No. Public Counsel does not seek to micromanage Laclede's business and views this portion
18 of the proposed tariff as unnecessary. Regardless of the tariff language, Public Counsel has
19 the authority to request and review any detection procedures adopted by the Company.

20 **Q. IF THE COMMISSION DECIDES TO APPROVE A TARIFF THAT REFERENCES DETECTION**
21 **PROCEDURES FOR DETERMINING WHEN A GAS METER HAS STOPPED OR FAILED TO**
22 **REGISTER OR PROVIDE READINGS OF ACTUAL USAGE, WHAT WOULD BE YOUR**
23 **RECOMMENDATION?**

24 **A.** If the Commission decides to allow the Company to include the section addressing detection
25 procedure that references Public Counsel or the Staff, then it would be appropriate for Public
26 Counsel and the Staff of the Commission to have the opportunity to review those procedures

1 in advance of implementation and the ability to take any disputed issues to the Commission
2 prior to implementation of new or modified detection procedures.

3 **Q. PLEASE RESTATE YOUR THIRD CONCERN WITH THE PROPOSED AMENDED TARIFF.**

4 **A.** *3) Under the existing tariff, customers are allowed the option to provide regular “self reads”*
5 *when the Company is unable to gain access to the customer’s premise to read the meter. If*
6 *the customer submits “self reads” regularly, the customer would not be threatened with*
7 *disconnection. However, under the proposed tariff after the initial notice is mailed following*
8 *detection of a problem with the meter reading, the customer has only 30 days to allow access*
9 *to the customer’s premises before the Company can initiate disconnection pursuant to Rule*
10 *14, Discontinuance of Service. This is a significant change to the existing tariff that may*
11 *adversely affect some customers’ ability to retain service. Further, based on informal*
12 *complaints received by the Commission’s Consumer Services Department, Public Counsel is*
13 *concerned that delays in updating account information or account inaccuracies may cause*
14 *unwarranted threats of disconnection if the proposed tariff is approved.*

15 **Q. HOW DOES MODIFYING THE TARIFF TO INCLUDE THE TERM “PROVIDE READINGS OF**
16 **ACTUAL USAGE” AFFECT THE FLEXIBILITY AFFORDED TO CUSTOMERS IN ARRANGING FOR**
17 **LACLEDE TO GAIN ACCESS TO THE CUSTOMER’S METER?**

18 **A.** Under the existing tariff, obtaining readings of actual usage would involve either the
19 Company or the customer reading the meter. In cases where the utility is unable to obtain
20 access to the customer’s premises for the purpose of reading the meter the utility would be
21 authorized to bill the customer based on self reported use or to estimated usage for up to
22 three months or in some cases for up to a year or more. This allowed a customer significant
23 flexibility in scheduling appointments to provide access to the premise without facing threat
24 of disconnection.

1 The proposed amended tariff, on the other hand, treats an AMR's failure to provide
2 readings as more than just an inability to obtain the information of actual use registered on
3 the meter that could be temporarily alleviated by the customer providing self reads. Instead
4 AMR failures are treated as equipment failure that require more immediate maintenance or
5 repair despite the fact that if inspected, the meter might be in working order and the index
6 reading available. Memorializing this distinction as proposed by the Company places an
7 additional burden on consumers to provide access in a much shorter timeframe. The
8 proposed amended tariff states that failure by the customer to allow access to the customer's
9 premises within thirty days after the Company has sent such notice shall constitute a failure
10 to permit access as provided in Rule 14(1)(E) of the tariff and the Company may discontinue
11 service to the customer pursuant to Rule 14, Discontinuance of Service. Assuming a 5-day
12 mailing time, this allows the customer about 25 days to contact the company and to provide
13 access. While this might be sufficient time for some customers it may not be for others such
14 as customers serving in the military, students on holiday breaks or customers that reside in
15 other states.

16 **Q. MIGHT APPROVAL OF THE PROPOSED AMENDED TARIFF RESULT IN THREATS OF**
17 **DISCONNECT BASED ON UNRELIABLE INFORMATION AND CUSTOMER INCONVENIENCE?**

18 A. Yes. As I described earlier in this testimony, Laclede has experienced problems with stalled
19 AMRs in some cases affecting the same customer two or even three times. It has also had
20 errors in transferring and updating data to the Company's billing system and weak signal/

1 infrastructure problems. Approving the proposed amended tariff while these AMR issues
2 remain increases the likelihood that customers will be unnecessarily inconvenienced.

3 **Q. BASED ON THE CUSTOMER COMPLAINTS THAT YOU REVIEWED, IS THERE EVIDENCE THAT**
4 **SOME CUSTOMERS MIGHT FACE UNWARRANTED DISCONNECT NOTICES UNDER THE NEW**
5 **TARIFF?**

6 A. Yes. Schedule 1-HC contains examples of cases in which customer account information was
7 not correctly posted or was not posted in a timely manner resulting in estimated bills. In
8 addition, in some of these cases, the Company repeatedly sought access to the customer
9 premise multiple times when access was not needed.

10 **Q. PLEASE RESTATE YOUR FOURTH CONCERN WITH THE PROPOSED AMENDED TARIFF.**

11 A. *4) The proposed tariff appears to be inconsistent with other provisions in the Company's*
12 *tariff that the Company has not requested to change. These include Sheet R-6-a Part 6. (3)*
13 *which addresses appointment times for meter reading; Sheet R-6-a Part 6. (4) which*
14 *addresses customer provided readings prior to disconnect; R-11 12 which addresses annual*
15 *reading and reasonable time conditions that link to disconnect provisions of Rule 14 (1) (E).*

16 **Q. HAS THE COMPANY RECONCILED HOW THE PROPOSED AMENDED TARIFF WILL ALLOW**
17 **DISCONNECTS TO BEGIN IN AS LITTLE AS 25 TO 30 DAYS WITH THE PROVISIONS THAT**
18 **ALLOW CUSTOMERS TO PROVIDE SELF READS?**

19 A. Mr. Wildeisen suggests that following the initial notice the Company will send additional
20 notices once a month to inform customers that the Company needs to gain access. However,
21 the proposed amended tariff provides no assurances that the Company will allow customers
22 to self read as allowed under the existing tariff or that the Company will not initiate

1 disconnection as provided in the proposed amended tariff. Without such assurances it is
2 unclear how the proposed amended tariff is consistent with other provisions of the
3 Company's tariffs that allow for self reads.

4 **Q. PLEASE RESTATE YOUR FIFTH CONCERN WITH THE PROPOSED AMENDED TARIFF.**

5 A. 5) *The proposed tariff identifies a number of items as lawful reasons for Laclede to*
6 *discontinue service that under certain circumstances may not be lawful reasons for*
7 *disconnection. The actions the Company identifies as lawful reasons to discontinue service*
8 *include failure to grant the Company access for the purpose of installing a meter or a meter*
9 *reading device, or for performing routine maintenance, or for non-payment of utility service.*
10 *To the contrary, under the existing tariff, it is not lawful for the Company to discontinue*
11 *service for customers that refuse to pay disputed portions of a bill pending investigation of*
12 *the charges or to delay providing access for more than 30 days for non health or safety*
13 *related reasons provided the customer is supplying self reads. "Any other lawful reason" is*
14 *too broad and the specific identified acts are not unlawful under all circumstances.*

15 **Q. DO YOU VIEW THIS PORTION OF THE PROPOSED AMENDED TARIFF AS ESSENTIAL?**

16 A. No. This part of the tariff is vague and the issues listed are addressed elsewhere in the
17 Company's existing tariff. Even if the Commission decides to allow some form of the
18 amended tariff, this portion should be rejected as unnecessary.

19 **Q. PLEASE RESTATE YOUR SIXTH CONCERN WITH THE PROPOSED AMENDED TARIFF.**

20 A. 6) *The proposed tariff could affect revenues associated with disconnects and reconnects. As*
21 *described above, the tariff expands Laclede's ability to initiate disconnections. If Laclede*
22 *increases disconnections resulting in greater revenues associated with both disconnections*
23 *and reconnections the proposed amended tariff would be better addressed in a rate case.*

24 **Q. ARE THERE ADDITIONAL REASONS THAT YOU BELIEVE THE PROPOSED AMENDED TARIFF'S**
25 **PROVISIONS WOULD BE BETTER ADDRESSED IN LACLEDE'S NEXT GENERAL RATE**
26 **PROCEEDING?**

1 A. Yes. It is my understanding that a significant portion of Laclede's past AMR failures were
2 weather related, failing most often during winter months and during periods of significant
3 temperature changes. By rejecting this proposed amended tariff the Commission will be able
4 to gauge AMR performance through the upcoming winter to ensure that AMR problems
5 have been resolved prior to granting Laclede an expanded ability to estimate bills and initiate
6 disconnects.

7 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

8 A. Yes.

Schedule 1-HC
has been
deemed
Highly
Confidential
in its entirety