

Exhibit No.:
Issue: *Quality of Service*
Witness: *Lisa A. Kremer*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *GT-2009-0026*
Date Testimony Prepared: *October 24, 2008*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

LISA A. KREMER

LACLEDE GAS COMPANY

CASE NO. GT-2009-0026

Jefferson City, Missouri
October 2008

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**TABLE OF CONTENTS OF
REBUTTAL TESTIMONY OF
LISA A. KREMER
LACLEDE GAS COMPANY
CASE NO. GT-2009-0026**

CREDIT AND COLLECTION ACTIVITIES..... 3
INSIDE GAS METERS..... 6

Q. Please state your name and business address.

A. Lisa A. Kremer, P.O. Box 360, Jefferson City, Missouri 65102.

Q. By whom are you employed and in what capacity?

A. I am the Manager of Engineering and Management Services with the Missouri Public Service Commission (Commission, PSC).

Q. Describe your educational and professional background.

A. I graduated from Lincoln University in Jefferson City, Missouri in 1983 with a Bachelor of Science Degree in Public Administration, and in 1989 with a Masters Degree in Business Administration. I successfully passed the Certified Internal Auditor (CIA) examination in 1997 and am a Certified Internal Auditor.

I have been employed for approximately 22 years by the Commission in the then Management Services Department as a Management Services Specialist, except for a four-month period when I was employed by the Missouri Department of Transportation. The Management Services Department was combined with the Commission's Depreciation Department and the joined Department was named Engineering and Management Services. I assumed the Manager position of the combined Departments in February 2000. Prior to working for the Commission, I was employed by Lincoln University for approximately two and one-half years as an Institutional Researcher.

1 Specifically, I have participated in the analysis of or had oversight responsibilities for
2 reviews of the customer service processes at Associated Natural Gas Company, AmerenUE,
3 Missouri Gas Energy, Atmos Energy Corporation, Laclede Gas Company and Aquila, Inc.
4 At the direction of the Commission during 2001, the Engineering and Management Services
5 Department began reviewing the customer service practices of small water and sewer utilities
6 when they request rate increases. The Department has performed approximately 40 reviews
7 of this type since that time.

8 The Engineering and Management Services Department has also performed
9 management audits of public utilities operating within the state of Missouri under the
10 jurisdiction of the Commission. I have served as project manager or in support roles on a
11 number of these projects during my years of employment at the Commission, as well as
12 participated in other types of utility investigation and review projects. The attached
13 Schedule 1 includes a listing of cases before the Commission in which I have previously filed
14 testimony.

15 Q. Please summarize your testimony.

16 A. My testimony will address some of the methods regulated utilities use to
17 manage the credit and collection activities of their businesses, including the pursuit of
18 payment from slow paying or non-paying customers. I will also address factors that are
19 unique to Laclede Gas Company (Laclede, or Company) with respect to its ability to
20 disconnect service for non-paying customers. My testimony will also discuss a portion of the
21 Staff's work in a December 2003 report entitled "Review of Laclede Gas Company Customer
22 Service and Gas Supply Operations" as it relates to Company credit and collection processes
23 and service disconnection and reconnection practices and address some of the Commission's

1 rule requirements as they impact the credit and collection activities of Missouri's regulated
2 gas, electric and water utilities.

3 **CREDIT AND COLLECTION ACTIVITIES**

4 Q. Generally describe Laclede Gas Company's credit and collection practices.

5 A. Laclede Gas Company, as all large regulated gas and electric utilities, performs
6 a number of credit and collection activities. Over a period of several years, the Staff has
7 examined the credit and collection activities of many of the state's electric and gas companies
8 and, while some differences exist among utility processes, many similarities are present.

9 Laclede's Credit and Collections Department is responsible for a variety of functions
10 including referring accounts to the Company's collection agencies and reviewing collection
11 agency activity, monitoring uncollectible accounts, administering heat grants, processing
12 non-sufficient funds checks, determining credit approval and denial of service, verification of
13 customer identity, field collection activities, termination of services for non-payment and
14 bankruptcy handling.

15 Laclede, like many utilities, has tools available to verify social security numbers of
16 customers applying for service as an internal control to determine the customer's identity.
17 At the time of the December 2003 "Review of Laclede Gas Company Customer Service and
18 Gas Supply Operations", the Company indicated that ten percent of the requests it received
19 for new accounts were presented by customers who offered inaccurate social security
20 numbers to the Company. Many, if not all, of the state's large regulated companies are
21 pursuing more sophisticated tools to protect against, and detect fraud.

22 Laclede also uses outside collection agencies to collect on past due accounts from its
23 customers as do many if not all other large regulated energy utilities in the state.

1 Utilities often use more than one collection agency to encourage collection competition and
2 historically such agencies have charged fees in the range of 35% of collection.

3 Laclede employees perform field collections, which includes collecting payments
4 from customers at their residences. Many utilities employ the practice of field collections
5 which, in addition to increasing the Company's customer payments, can prevent certain
6 service disconnections.

7 Q. Has the Staff examined the collection practices of any large regulated energy
8 utilities in the state of Missouri?

9 A. Yes. In the context of comprehensive customer service reviews, the Staff has
10 examined the credit and collection and service disconnection and reconnection practices of a
11 number of the state's largest regulated electric and gas utilities in the past ten years.
12 These informal reviews have been conducted of AmerenUE, Kansas City Power and Light
13 Company, Missouri Gas Energy, Atmos Energy, Aquila and Laclede Gas Company.

14 Q. In the Staff's opinion, is Laclede Gas Company more aggressive in its
15 collection practices than any of these other utilities?

16 A. No. Both Laclede witnesses Mr. Buck and Mr. Cline indicate that Laclede has
17 and will retain 'aggressive' collection practices should their proposal be adopted.
18 Industry comparisons between regulated utilities can be difficult and misleading due to a
19 variety of factors including technology, staffing, tariffs, service territory and other
20 differences; however, the Staff has not noted any practice, procedure, process or any other
21 operational factors that it can determine makes Laclede Gas Company more aggressive in its
22 collection practices than any other regulated utility in the state or noteworthy in its collection
23 effort. As will be discussed later in this testimony, the extensive presence of inside gas

1 meters in Laclede's service territory makes it inherently more difficult for Laclede to be as
2 aggressive in its collection practices as other Missouri regulated utilities in the State.

3 Q. What are some of the tools regulated utility companies use to assist in credit
4 and collection processes?

5 A. All of Missouri's large regulated energy utilities make attempts to collect on
6 past due accounts and use various tools to mitigate the risk of being left with an outstanding
7 balance. As described previously, such tools include the use of social security number
8 identification to prevent fraudulent customer identity to obtain service and the use of customer
9 deposits. Utilities also use similar tools such as expert collection agencies that have specific
10 training in collecting on accounts in arrears. Utilities have expanded payment method options
11 to better accommodate customers including accepting on-line and telephone payments,
12 permitting customers to use debit and credit cards to make payments and automatic payment
13 withdrawal from bank accounts.

14 Q. Are there any Commission rules that address utility credit and collection
15 practices?

16 A. Yes. A number of Commission rules specifically prescribe how regulated
17 utilities perform credit and collection functions and establish a framework for utility credit
18 and collection policies. While differences do exist between regulated utilities in areas of
19 credit and collections, all must be developed to adhere to the requirements of Commission
20 rules.

21 4 CSR 240.13 (Chapter 13) provides detailed criteria for 1) service applications and
22 denials of service, 2) billing and meter reading, 3) customer deposits, 4) notices of

1 disconnection, 5) service termination for non-payment, 6) service reconnection and 7) service
2 during the Cold Weather Rule period of November 1 through March 31 each year.

3 Other items addressed by Chapter 13 are the requirement to allow customers 21 days
4 from rendition or mailing of bills until bills must be paid, the requirement that during the Cold
5 Weather Rule period customers must be offered a 12- month budget plan to cover the total of
6 arrears and current bills, as well as an estimate of future bills due.

7 Chapter 13 expressly forbids utilities to instruct customers they are going to terminate
8 service when it is a day by Commission rule that is too cold for service terminations. When
9 service is terminated, specific procedures are detailed in Chapter 13 regarding customer
10 notifications and requirements for timely service reconnections.

11 **INSIDE GAS METERS**

12 Q. Are there any operational factors that impact Laclede's ability to aggressively
13 manage its credit and collection activities

14 A. Yes. One factor unique to Laclede Gas Company which has an impact on its
15 ability to be as aggressive in its credit and collection activity as some other utilities is the fact
16 that its gas system consists of approximately 290,000 inside gas meters. Inside meters make
17 termination for service for non-payment significantly more challenging as the utility does not
18 consistently have ready access to its equipment and in many cases cannot perform
19 non-payment service disconnections.

20 Disconnections may be made at the curb-box for single family residences, but such
21 service turn-offs cannot be utilized when they would result in an entire multi-family dwelling
22 being disconnected.

1 Q. Can Laclede move inside customer meters to the outside?

2 A. The Staff has inquired of the Company and it has responded that it was not
3 economically feasible to move meters outside in most cases. The Company further indicated
4 that the majority of inside meters are served by the Company's low pressure system and
5 moving these meters outside would require a pressure upgrade of the distribution system to
6 medium or intermediate pressure.

7 Q. What effect does this operational factor have on Laclede's customers and the
8 Company's credit and collection processes?

9 A. While service terminations are an unfortunate and costly component of the
10 credit and collection process, customers who receive multiple disconnection notices, make no
11 payments and still receive service for extended periods of time may be inappropriately
12 conditioned to assume they do not have to pay for service. When and if service is finally
13 terminated for non-payment, arrearages may be of such magnitude that customers may be
14 unable to make reasonable pay agreements that they can realistically follow.

15 Q. Does this conclude your testimony?

16 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

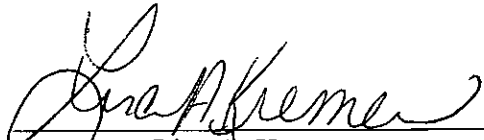
In the Matter of the Laclede Gas Company)
Tariff Filing to Recover Bad Debt Expenses)
Through the PGA and to Modify Cold)
Weather Rule Provisions.)

Case No. GT-2009-0026

AFFIDAVIT OF LISA A. KREMER

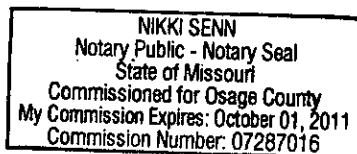
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

Lisa A. Kremer, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 7 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.



Lisa A. Kremer

Subscribed and sworn to before me this 23rd day of October 2008.





Notary Public

CASE PROCEEDING PARTICIPATION

LISA A. KREMER

PARTICIPATION		TESTIMONY
COMPANY	CASE NO.	ISSUES
Atmos Energy Company	GR-2006-0387	Direct – Quality of Service Report – Staff Response to Commission Order
Aquila, Inc.	GR-2004-0072	Direct - Quality of Service
Aquila, Inc.	ER-2004-0034 & HR-2004-0024	Direct - Quality of Service Rebuttal – Quality of Service
Laclede Gas Company	GR-2002-356	Rebuttal – Expense Decommissioning
Missouri Gas Energy	GR-2001-292	Rebuttal – Customer Service
UtiliCorp United Inc. / Empire District Electric Company	EM-2000-369	Rebuttal – Customer Service
Atmos Energy Company / Associated Natural Gas Company	GM-2000-312	Rebuttal – Customer Service
Raytown Water Company	WR-94-211	Rebuttal - Management Audit