

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

Regarding an Investigation into the Service)	
and Billing Practices for Residential)	Case No. GW-2007-0099
Customers of Electric, Gas, and Water Utilities.)	

**LACLEDE GAS COMPANY’S RESPONSE TO STAFF’S APRIL 25, 2008 REPLY
AND PUBLIC COUNSEL’S FEBRUARY 19, 2008 SECOND RESPONSE**

COMES NOW Laclede Gas Company (“Laclede” or “Company”), and files this Response to Staff’s April 25, 2008 Reply and Public Counsel’s February 19, 2008 Second Response in this case, and in support thereof, states as follows:

1. On September 4, 2007, Staff filed a report of its findings in this case on the estimated billing practices of Missouri’s electric, gas and water utilities.
2. On September 19, 2007, Public Counsel filed a response to Staff’s report, asking the Commission for more time to evaluate the report and respond to it. On February 19, 2008, Public Counsel filed its second response to Staff’s report (the “Second Response”).
3. The Commission issued an order directing Staff to reply to the Second Response and, on April 25, 2008, Staff filed its reply (the “April 25 Reply”). In this filing, Laclede will respond to both the Second Response and the April 25 Reply.
4. In the Second Response, Public Counsel updated the estimated billing data provided in Staff’s September 2007 report. Public Counsel was pleased to report that, through November 2007, estimated bills issued by a number of major utilities had declined over the previous year. Public Counsel noted an especially sharp decline in estimates in Laclede service territory as the Company continued its transition to an

automated meter reading (AMR) system. Public Counsel characterized this data as encouraging.

5. In the Second Response, Public Counsel also identified concerns pertaining to estimated bills arising out of situations in which Laclede issued estimated bills to customers where the meter at the customer's home had failed or stopped registering gas usage. Public Counsel identified three areas of concern with Laclede's procedures: (i) under what circumstances a bill may be estimated; (ii) for what period a bill may be estimated; and (iii) how an estimate is calculated. Laclede will address each of these areas below.

Under What Circumstances A Bill May Be Estimated

6. Public Counsel cited Commission Rule 4 CSR 240-13.020 in opining that there are only three circumstances in which a bill may be estimated. Section 2(A) of this rule states as follows:

A utility may render a bill based on estimated usage-

- a. To seasonally billed customers, provided an appropriate tariff is on file with the commission and an actual reading is obtained before each change in the seasonal cycle;
- b. When extreme weather conditions, emergencies, labor agreements or work stoppage prevent actual meter readings;
- c. When the utility is unable to obtain access to the customer's premises for the purpose of reading the meter or when the customer makes the meter unnecessarily difficult.

7. Rule 13.020(2)(A) applies to normal attempts to get a meter reading from an operating meter. Commission rules do not specifically cover situations where a meter is not operating properly. Instead, these situations are covered in gas company tariffs.

For example, Laclede Tariff Rule 10A states that:

“In the event of the stoppage or the failure of any meter to register, the customer shall be billed for such period on an estimated consumption based upon his use of gas in a similar period of like use.”

So, in addition to the three situations cited above, Tariff Rule 10A constitutes a fourth circumstance in which a bill may be estimated, that is, when the meter stops or fails to register usage, which was the case in the example cited by Public Counsel in the Second Response.

For What Period A Bill May Be Estimated

8. In the Second Response, Public Counsel cites Commission Rule 4 CSR 240-13.025(1)(B) as controlling the time period that an estimate can cover. This subsection states:

In the event of an undercharge, an adjustment shall be made for the entire period that the undercharge can be shown to have existed not to exceed twelve (12) monthly billing periods or four (4) quarterly billing periods, calculated from the date of discovery, inquiry or actual notification of the utility, whichever was first.

Public Counsel relies on the phrase “date of discovery” in this rule to assert that Laclede can only bill retrospectively from the date it discovers that it has undercharged a customer. Again, the situation in which a meter is not working is not covered by Commission Rule 13.025(1)(B), which applies to undercharges, but is instead covered by Laclede Tariff Rule 10A, cited above, which applies specifically to non-working meters. Accordingly, Tariff Rule 10A prescribes that Laclede bill the customer for the period during which the meter failed. This reflects a common sense policy that customers should neither reap a windfall nor be disadvantaged in the relatively rare but inevitable event that the meter at a customer’s home fails to operate properly.

9. Conversely, limiting the estimating period to the date of discovery makes no sense because, as a practical matter, Laclede cannot repair a malfunctioning meter immediately upon discovering that it is not working. In many situations, Laclede must be able to enter the home to repair the meter, either because the meter is located inside or because service has to be interrupted to remove the meter – a circumstance that requires Laclede to enter the home in order to perform a mandated safety inspection once the gas flow has been re-established.

10. Gaining such access, however, can often be very difficult. As the Company's recent experience with installing its AMR system shows, making arrangements to gain access to the customer's premises often requires the Company to make multiple efforts to contact the customer before a visit can be scheduled. And even then, interruption of service must occasionally be threatened or even effectuated before cooperation can be obtained. In other instances, the customer may simply refuse to provide access because a large arrearage is owed, a circumstance that the Company may be powerless to remedy in any immediate way because of temperature, notice and other restrictions governing when it can and cannot discontinue service. Under such circumstances, limiting the billing estimate to the date of discovery makes no sense from either a practical or equitable standpoint. To the contrary, such an approach simply affords the customer the ability to avoid paying for gas used but not metered, and creates an incentive for the customer to stymie Laclede's efforts to fix the meter so as to lengthen the amount of time that gas is not measured. For all of these reasons, the period to be estimated is the period during which the meter failed, pursuant to Tariff Rule 10A, and

not the period ending with the discovery of the failure as provided in Commission Rule 13.025.

How An Estimate Is Calculated

11. In the example given in the Second Response, Public Counsel voices suspicion that Laclede's estimating factors cause its estimates to be inflated. In the April 25 Reply, Staff states that Laclede's procedures are complicated and not as straightforward as other utilities' estimating procedures. Laclede has met with Public Counsel and Staff to explain its estimating procedures, which are not unusual, complicated or inflated, but are in fact similar to those used by Ameren, and are very reasonable.

12. The estimating procedures Laclede uses to bill unmetered gas usage are the same procedures used to estimate bills when the Company is unable to obtain a meter reading. The Company's estimating procedures are clearly defined and readily available on Laclede Tariff Sheet R-40, which was approved by the Commission effective October 27, 1998. Like Ameren, the calculation employs a home heating factor that is temperature sensitive, and a non-heating factor to determine amounts used for purposes other than heating the home (such as water heating, cooking or clothes drying). These factors are developed by our computer system for each account.¹ Copies of the results of these calculations, along with past usage history, are routinely provided to the Staff in connection with complaints on unmetered gas charges.

13. On page 5 of the Second Response, Public Counsel provided an example of what appears to be an inflated estimate based on information provided by Laclede.

¹ In contrast to Ameren and Laclede, MGE establishes peer groups of at least 100 customers each to serve as proxies in estimating customer usage.

Although incorrect, Public Counsel was justified in its suspicion, because Laclede made a clerical error that overstated the heating degree days (HDDs)² in the winter of 2005-06, making the weather in that warm winter appear colder than it really was. Specifically, the Laclede employee who performed a review of this account mistakenly noted that there were 3,515 HDDs in 2005-06 when there were really only 2,632. Below is the original chart provided in the Second Response and the corrected chart. Once the correct number of HDDs are factored in, Laclede's estimate, which originally appeared to be inflated, turns out to be very reasonable.

<u>Dates of Service</u>	<u>HDDs</u>	<u>Ccfs</u>	<u>Average Usage</u>
12/17/04 - 06/21/05	3,026	370 – Actual	.1223 Ccfs per HDD
12/19/05 – 06/21/06	3,515	364 – Actual	.1036 Ccfs per HDD
12/19/06 – 06/28/07	2,952	381 – Estimated	.1291 Ccfs per HDD

<u>Dates of Service</u>	<u>HDDs</u>	<u>Ccfs</u>	<u>Average Usage</u>
12/17/04 - 06/21/05	3,026	370 – Actual	.1223 Ccfs per HDD
12/19/05 – 06/21/06	2,632	364 – Actual	.1383 Ccfs per HDD
12/19/06 – 06/28/07	2,952	381 – Estimated	.1291 Ccfs per HDD

14. In summary, in cases such as the one addressed by the Second Response, where a meter has failed to register usage, Laclede's actions comply with its applicable tariff provisions. In this circumstance, Laclede is permitted to estimate the customer's usage for the period during which the meter was not registering. Finally, Laclede calculates the estimate using the longstanding method which has been approved by the Commission and is similar in approach to the method used by Ameren. Statements to the contrary in the Second Response and the April 25 reply are misplaced.

² HDDs for a given day are the number of degrees that the average temperature for that day was below 65 degrees. For example, there would be 40 HDDs on a day when the average temperature was 25 degrees. So HDDs increase as the temperature drops.

15. With respect to other items covered in the April 25 reply, Laclede agrees in general with the big picture presented by Staff in connection with AMR installation issues. However, several minor matters require clarification. Laclede will discuss the status of its AMR project below.

16. As stated by Staff, Laclede has installed an AMR on nearly all retrofittable meters except for about 2,000 inside meters where Laclede has been unable to access the customer's premises. Laclede's estimates, once as high as 15% due to its large number of inside meters, is now well under 4%. As represented in the April 25 Reply, Staff is closely monitoring the AMR installation process and meeting with Laclede on a regular basis regarding consumer issues related to AMR.

17. As the Commission is aware from a September 11, 2007 presentation by Laclede and CellNet (Laclede's AMR provider), the Company and its customers have experienced an abnormally high amount of stopped meters due to an issue with the AMR modules. As represented, CellNet intended to have all of the modules with this potential problem replaced by the end of June 2008. For meters that malfunctioned in the interim as a result of this problem, CellNet and Laclede committed to using the technology provided by AMR to identify the stopped meters within five business days and to have a CellNet employee visit the customer's premises and address the meters within ten business days. Laclede is pleased to report that CellNet is on track to complete the retrofit process by June 22, 2008. Moreover, since December of last year, Laclede and CellNet have also been successful in identifying and addressing, within the committed time frames, virtually all meters that had stopped registering or providing readings in the interim as a result of this problem. In fact, Laclede has now expanded this protocol for

very expeditious action to meters that have failed for other reasons. Laclede believes that these steps should be successful in addressing the type of DR meter concerns from the first half of 2007 that were cited in Staff's and Public Counsel's filings. Indeed, it is clear that with this technology and process in place, Laclede is today identifying and addressing DR meters on a much more accelerated basis than it was able to in the past.

18. As Staff indicates in the April 25 Reply, during a meeting on January 11, 2008, Laclede advised Staff that CellNet had indeed expanded its program for identifying and addressing stalled meters within 10 business days to any device showing no consumption or movement for five consecutive days during the winter period. Laclede did not intend to disconnect gas service if the premise appeared to be vacant and the meter was not registering consumption. During that same meeting, Laclede stated that it was in the process of sending letters to no-access customers with stalled meters and that, rather than just have the AMR module reprogrammed, Laclede would change the entire meter for those customers to eliminate the possible need for a return visit and the extension of estimated bills. While on premises to change the meter, Laclede also indicated that it would seek to verify consumption.

19. Finally, Laclede also confirms that it is working on a bill message that would enable customers to easily verify their current charges for gas service, and that it is developing tariff language regarding procedures for handling failed meters which it intends to file in the near future. Laclede believes that neither of these endeavors requires Commission intervention at this time, although the Commission will obviously be involved in considering and determining the appropriateness of the aforementioned tariff.

WHEREFORE, for the foregoing reasons, Laclede respectfully requests that the Commission accept Laclede's response to the April 25 Reply and the Second Response.

Respectfully submitted,

/s/ Michael C. Pendergast

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing pleading has been duly served upon the General Counsel of the Staff of the Public Service Commission and the Office of the Public Counsel by hand delivery, email, fax, or United States mail, postage prepaid, on this 5th day of May, 2008.

/s/ Gerry Lynch

Gerry Lynch