Exhibit No.: _____
Issue(s): Customer Expectations & Comments/
Incentive Compensation, Bonuses and Equity Plan/
Class Cost of Service/
Rate Design/
Prepaid Deposits/
Reconnect Period/
Customer Comments
Witness/Type of Exhibit: Meisenheimer/Rebuttal
Sponsoring Party: Public Counsel
Case No.: GR-2010-0171

REBUTTAL TESTIMONY

OF

BARBARA A. MEISENHEIMER

Submitted on Behalf of the Office of the Public Counsel

LACLEDE GAS COMPANY

CASE NO. GR-2010-0171

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 BARBARA A. MEISENHEIMER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

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 24th day of June 2010.

NOTARY PUBLIC NOTARY SEAL MISSOURI

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 MEISENHEIMER

CASE NO. GR-2010-0171

LACLEDE GAS COMPANY

INTRODUCTION

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel, P.O. Box 2230, Jefferson City, Missouri 65102.

Q. HAVE YOU TESTIFIED PREVIOUSLY IN THIS CASE?

A. Yes. I filed direct testimony on revenue requirement issues on May 10, 2010, and on class cost of service and rate design issues on May 24, 2010.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to present Public Counsel's response to Class Cost of Service (CCOS) and rate design recommendations made by Laclede Gas Company (LGC) and the Public Service Commission Staff (Staff) and other parties.

Q. IN PREPARATION OF YOUR TESTIMONY, WHAT MATERIALS DID YOU REVIEW?

A. I have reviewed direct testimony and supporting documentation of Company witnesses Douglas Yeager, Glenn Buck and Michael Cline, the direct testimony of Staff witness Thomas M. Imhoff and the Staff Class Cost-Of-Service and Rate Design Report and

supporting documentation from Daniel I. Beck, Henry E. Warren, Tom Solt and Michael J. Ensrud.

Q. IN THE STAFF COST OF SERVICE REPORT ADDRESSING REVENUE REQUIREMENT ISSUES, STAFF WITNESS ERIN CARLE INDICATED THAT IN ADDITION TO REMOVING ALL INCENTIVE COMPENSATION, BONUSES AND EQUITY PLAN FROM EXPENSES, THE STAFF ALSO PROPOSES TO ADJUST PLANT AND THE RELATED DEPRECIATION RESERVE AND DEFERRED INCOME TAX RESERVE, TO REMOVE THE RATE BASE AMOUNTS ASSOCIATED WITH THE COMPANY'S CURRENT AND PAST CAPITALIZATION OF INCENTIVE COMPENSATION, BONUSES AND EQUITY PLAN COSTS?

A. Yes.

Q. IN LACLEDE'S DIRECT TESTIMONY, COMPANY WITNESS DOUGLAS YEAGER TESTIFIED THAT LACLEDE HAS UNDERTAKEN MEASURES TO "TAILOR OUR UTILITY SERVICES TO MEET THE EXPECTATIONS AND NEEDS OF OUR CUSTOMERS IN TODAY'S CHANGING ENERGY AND ECONOMIC ENVIRONMENT." IS THERE OTHER EVIDENCE THE COMMISSION SHOULD RELY ON TO DETERMINE THE NEEDS AND EXPECTATIONS OF LACLEDE'S CUSTOMERS?

A. Yes. The testimony and comments from Laclede's customers will greatly help the Commission determine the needs and expectations of Laclede's customers. I urge the Commission to carefully consider the testimony made during the local public hearings and the comments filed into the case record. Attachment BAM Rebuttal-1HC to this Rebuttal

Testimony includes a copy of the 130 customer comments filed in this case as of June 24, 2010.

Q. WHAT EXPECTATIONS AND NEEDS HAVE CUSTOMERS EXPRESSED IN COMMENTS TO THE COMMISSION?

A. As I indicated in my direct testimony in this case; customers in the St. Louis area have been especially hard hit by the economic down turn. Customers repeatedly comment about the difficulty in making ends meet and the hardship of bearing rate increase upon rate increase. Many customers have had their hours cut back at work and have gone without raises for years. They question the reasonableness of utility spending, utility earnings and executive compensation. In comment after comment they express the need for the Commission to closely scrutinize and minimize rate increases. Many customers also expressed opposition to Laclede's Customer Usage Adjustment proposal.

Q. WHAT ARE THE RESULTS OF STAFF'S CLASS COST OF SERVICE STUDY?

A. The Staff's study indicates that to equalize class rates of return, on a revenue neutral basis, Residential class revenues would need to increase by about 1.2%, Small General Service Class revenues would need to increase by about 24.3%, and Firm Transport revenues would need to increase by about 180%. Other classes would need reductions ranging from -11.44% for the Interruptible Sales class to -54.24% for the basic transport class.

Q. HOW DO THE STAFF RESULTS COMPARE TO THE RESULTS FROM YOUR STUDY?

A. Both the Staff and Public Counsel studies found that the Residential class is close to cost of service. However, there were some differences in the results for other classes. I found that the Small General Service class should increase by about one third of the amount suggested by Staff's study. Like Staff, I found that to equalize returns, the Medium General Service, Large General Service and Large Volume classes' rates of return should be reduced; however, our studies differ on the level of reduction to each of the three classes. My study did not split the Transport class into Firm and Basic Transport, however, on a combined, basis, my study shows that a significant increase would be needed to equalize returns while the Staff study indicates that Firm Transport is below cost by roughly the same amount as Basic Transport is above costs.

Q. STAFF WITNESS IMHOFF HAS PROPOSED THAT THERE BE NO REVENUE NEUTRAL SHIFTS BETWEEN CLASSES IN THIS CASE AND THAT ANY REVENUE REQUIREMENT INCREASE BE SPREAD AMONG CLASSES ON AN EQUAL PERCENTAGE BASIS. WOULD PUBLIC COUNSEL ACCEPT THIS RECOMMENDATION?

A. Yes. Although in direct testimony, I indicated that moderate shifts in revenue responsibility between classes would be reasonable, Public Counsel will accept Staff's proposal to implement any increase in revenue requirement on an equal percentage basis. The equal percentage increase should be applied to current base rate revenue excluding ISRS.

Q. STAFF WITNESS DR. WARREN'S DIRECT TESTIMONY IN THE STAFF CLASS COST OF SERVICE REPORT APPEARS TO INDICATE THAT, FOLLOWING THE FILING OF DIRECT TESTIMONY, THE STAFF MIGHT ADJUST THE NON-RESIDENTIAL REVENUE ALLOCATIONS WHICH MAY

ALTER THE STAFF CLASS COST OF SERVICE RESULTS. HAS THE STAFF PROVIDED PUBLIC COUNSEL WITH INFORMATION REGARDING POTENTIAL CLASS COST OF SERVICE ADJUSTMENTS?

A. No. If the Staff ultimately makes adjustments, Public Counsel should be allowed an adequate opportunity to review and respond.

Q. HAS THE STAFF ALSO PROPOSED A STRAIGHT FIXED VARIABLE (SFV) RATE DESIGN IN THIS CASE?

A. Yes. Staff witness Dr. Warren expresses Staff's support for a SFV rate design.

Q. LACLEDE HAS PROPOSED A RATE DESIGN THAT WOULD DECOUPLE REVENUE FROM THERM USAGE THROUGH THE USE OF A VOLUMETRIC ADJUSTMENT. CAN SUCH A PROPOSAL BE IMPLEMENTED AT THIS TIME?

A. No. I am advised by legal counsel that a mechanism such as Laclede's proposed Customer Usage Adjustment cannot be implemented at this time because the Commission has not established rules related to the weather normalization adjustment provisions of Missouri Senate Bill 179.

Q. HAS THE COMPANY INDICATED SUPPORT FOR OTHER RATE DESIGNS?

A. The Company indicates that as an alternative it would accept a SFV rate design. The Company also describes using conservative estimates of billing units and refunding any over collection through a one way tracker.

Q. WOULD PUBLIC COUNSEL SUPPORT EITHER OF THESE ALTERNATIVE RATE DESIGNS?

A. No. A one way tracker is nothing more than a weather normalization adjustment that adjusts billing units in advance of setting rates. Public Counsel also continues to oppose the SFV rate design for reasons discussed later in this testimony.

Q. WHAT IS PUBLIC COUNSEL'S POSITION ON LACLEDE'S CURRENT RATE DESIGN?

A. Public Counsel's support for Laclede's current rate design has been limited to settlements. There are both good and bad aspects of the rate design. On the one hand, Laclede's current rate design allows the Company to shift a substantial amount of its weather related risk to customers. At least in part this shift in risk has been given in exchange for fledgling programs that thus far have benefited only a subset of customers. Public Counsel has also had concerns about using the PGA as a mechanism to facilitate recovery of non-gas costs. On the other hand, Laclede's rate design has allowed customers to retain some ability to control their bill relative to the SFV rate design, although, in warmer than normal winters that ability comes at the expense of relatively higher ACA adjustments. It has also benefited low use customers more than a SFV rate design. Since low-income households on average use less gas than higher income households, this has generally benefited low income customers relative to a SFV rate design. Finally, the Laclede rate design better reflects recovering costs consistent with cost causation. The Laclede rate design collects a greater proportion of costs in the winter when the majority of consumption occurs and when peak use occurs. It also maintains a volumetric component, which recognizes the cost impacts of increased volumes.

Q. IS THERE EVIDENCE THAT ON AVERAGE LOW-INCOME HOUSEHOLDS CONSUME LESS NATURAL GAS THAN HIGHER INCOME HOUSEHOLDS

A. Yes. Information from the U.S. Department of Energy, the U.S. Department of Health and Human Services (which administers the Low-Income Home Energy Assistance Program (LIHEAP)) and the U.S. Bureau of Labor Statistics Consumer Expenditures Survey (CES) demonstrate that on average low-income households actually have lower natural gas usage than higher income households.

A 2001 analysis of national energy use by household income derived from the 1997 Residential Energy Consumption Survey (RECS), appears on the U.S. Department of Energy website. This analysis concludes "...natural gas consumption and expenditures per household did vary by household income—higher income households consumed more and spent more on average. Higher income households lived in larger housing units, which require more energy for heating." The 2001 and 2005 updates of the 1997 RECS also show that higher income households consume more natural gas and live in larger housing units than do low income households. See BAM Rebuttal-4.

These DOE findings are consistent with results published in the LIHEAP Home Energy Notebook for Fiscal Years 2004 and 2007, by the Division of Energy Assistance within the Office of Community Services, U.S. Department of Health and Human Services. The LIHEAP Home Energy Notebook provides information on consumption by geographic region. For both 2004 and 2007, for the Midwest Region, West North Central Division that

includes Missouri higher income households in the Midwest exhibit higher average natural gas consumption than low income households. See BAM Rebuttal-4.

The finding that high income consumers on average use more than low income consumers is also supported by the annual Consumer Expenditures reported by the U.S. Department of Labor, Bureau of Labor Statistics. Based on actual data provided by households, there is a direct relationship between income and natural gas expenditures. The results of the Consumer Expenditure Survey for 1998 to 2008 are shown below.

Average Annual Expenditures On Natural Gas									
	Before Tax Income								
Year	Less than $5,000	$5,000 to $9,999	$10,000 to $14,999	$15,000 to $19,999	$20,000 to $29,999	$30,000 to $39,999	$40,000 to $49,999	$50,000 to $69,999	$70,000 and Over
1998	139	193	205	241	266	254	292	324	415
1999	129	162	199	233	233	241	270	302	398
2000	165	172	227	259	263	292	307	359	458
2001	214	226	317	307	352	382	403	464	579
2002	158	164	221	237	279	319	340	342	485
2003	189	207	295	320	325	350	382	423	564
2004	159	210	282	301	357	384	434	450	617
2005	250	233	306	372	394	401	447	499	676
2006	261	256	345	365	430	431	475	555	696
2007	216	215	286	348	352	405	427	481	709
2008	253	292	331	340	411	474	507	536	742

With very few exceptions, higher incomes are associated with higher natural gas expenditures.

Q. DO LIHEAP RECIPIENTS EXHIBIT HIGHER AVERAGE NATURAL GAS CONSUMPTION THAN OTHER LOW-INCOME HOUSEHOLDS?

A. Yes. LIHEAP recipients receive a subsidy specifically targeted to offset the cost of natural gas consumption; it is not surprising that they have use similar to higher income households. However, LIHEAP recipients represent only a subset of low income households and are not representative of the total population of low income households. In fact, only about 30% of households eligible for LIHEAP actually receive assistance. The result is that despite the higher natural gas consumption by LIHEAP households the average natural gas consumption for all low income households (including LIHEAP recipients) is lower than for higher income households.

This result is supported by both the information from the Department of Energy and Department of Health and Human Services which acknowledges that LIHEAP recipients have higher average use than the total population of low income households, but that in total, the average use for low income households is lower than for higher income households.

Q. BASED ON YOUR INVESTIGATION DO YOU BELIEVE A TRADITIONAL RATE DESIGN WOULD BE REGRESSIVE?

A. No. On average, low-income households use less natural gas than higher income households so a traditional rate design would not be regressive.

Q. BASED ON YOUR INVESTIGATION WOULD THE SFV BE REGRESSIVE?

A. Yes. The SFV on average would be detrimental to low-income customers.

Q. HOW DOES THE LEVEL OF CUSTOMER CHARGE WITHIN THE LACLEDE RATE DESIGN IMPACT PUBLIC COUNSEL'S WILLINGNESS TO CONTINUE THE RATE DESIGN?

A. Relatively higher customer charges within the Laclede rate design undermine some of the aspects that make the Laclede rate design more consumer friendly than the SFV rate design. The higher the customer charge the weaker the volumetric price signal that incents all customers to conserve, and the lower the benefit to the low-use customer.

Q. IF THE COMMISSION REJECTS PUBLIC COUNSEL'S PRIMARY RECOMMENDATION FOR A TRADITIONAL RATE DESIGN IN FAVOR OF A RATE DESIGN THAT PROVIDES THE COMPANY WITH GREATER WEATHER MITIGATION, IS PUBLIC COUNSEL LESS OPPOSED TO LACLEDE'S RATE DESIGN THAN A SFV RATE DESIGN?

A. Yes, provided that the customer charge is similar to that recommended in my direct testimony. In direct testimony I recommended a $16.50 Residential customer charge. For illustrative purposes, in the examples that follow, I will use a $16.85 customer charge component together with the current volumetric block rates to compare customer impacts under the Laclede rate structure, Public Counsel's recommended structure and the Staff's SFV rate design.

Q. HOW DOES THE STAFF'S SFV RATE DESIGN COMPARE TO PUBLIC COUNSEL'S PROPOSED RATE DESIGN OR THE TYPE OF WEATHER MITIGATION RATE DESIGN THAT LACLEDE CURRENTLY HAS IN PLACE?

A. Based on an increase of approximately $12M distributed to all classes as an equal percentage increase, and based on Staff's billing determinants, the Staff proposed SFV rate design would result in a $31.84 Residential charge. The traditional rate design proposed by Public Counsel would result in a $16.50 customer charge and a volumetric rate of $.2120 per Therm. For comparative purposes, I have used Laclede's current volumetric rates and a customer charge component set at $16.85. Attachment BAM Rebuttal-3 illustrates the block rates and revenue generated under each rate design.

Q. HAVE YOU EVALUATED THE MONTHLY NON-GAS CHARGES CUSTOMERS WOULD PAY UNDER THE STAFF'S SFV RATE DESIGN, PUBLIC COUNSEL'S PROPOSED RATE DESIGN AND UNDER THE TYPE OF WEATHER MITIGATION RATE DESIGN THAT LACLEDE CURRENTLY HAS IN PLACE?

A. Yes. Using the same assumptions of an approximate $12M increase distributed to all classes on an equal percentage basis, Table 1 and Table 2 illustrate the summer and winter month per customer non-gas charges under each of the three rate designs.

Table 1.
Summer Month
Residential Charges
(Ave Therms 21.05 Per Month)

Therm Usage	SFV Rate Design	Traditional Rate Design	Current Structure With $16.85 Customer Charge
0	$31.84	$16.50	$17.15
21.05	$31.84	$20.96	$21.56
25	$31.84	$21.80	$22.38
50	$31.84	$27.10	$26.61
75	$31.84	$32.40	$30.58
100	$31.84	$37.70	$34.56
125	$31.84	$43.00	$38.53
150	$31.84	$48.30	$42.51
200	$31.84	$58.90	$50.46
250	$31.84	$69.50	$58.41
300	$31.84	$80.10	$66.36
400	$31.84	$101.29	$82.26
500	$31.84	$122.49	$98.16
600	$31.84	$143.69	$114.06
700	$31.84	$164.89	$129.96

Table 2.
Winter Month
Residential Charges
(Ave Therms 122.69 Per Month)

Therm Usage	SFV Rate Design	Traditional Rate Design	Current Structure With $16.85 Customer Charge
0	$31.84	$16.50	$17.15
25	$31.84	$21.80	$43.84
50	$31.84	$27.10	$43.84
75	$31.84	$32.40	$43.84
100	$31.84	$37.70	$43.84
122.69	$31.84	$42.51	$43.84
125	$31.84	$43.00	$43.84
150	$31.84	$48.30	$43.84
200	$31.84	$58.90	$43.84
250	$31.84	$69.50	$43.84
300	$31.84	$80.10	$43.84
400	$31.84	$101.29	$43.84
500	$31.84	$122.49	$43.84
600	$31.84	$143.69	$43.84
700	$31.84	$164.89	$43.84

Q. WHAT ARE YOUR CONCLUSIONS REGARDING THE RATE DESIGN THAT SHOULD BE ADOPTED IN THIS CASE?

A. A traditional rate design is preferable because charges increase as usage increases. This outcome is consistent with cost causation resulting in greater cost recovery during the winter months when consumption is higher and peak demands on the system are most likely to occur. The outcome is also consistent with the premise that those who use more should pay more. By requiring that those who use more pay more, the traditional rate design also provides an incentive to conserve with each additional unit use. At low usage levels, the traditional rate design provides a less prohibitive price for being on the system, promoting greater economies of scale and more ubiquitous service. Lastly by maintaining a volumetric component, the traditional rate design recognizes that margin costs are influenced by the volumes of gas used by customers on that system.

Q. DOES THE STAFF CLASS COST OF SERVICE STUDY ALLOCATE MORE COSTS TO CLASSES THAT HAVE HIGHER ANNUAL CONSUMPTION OR THAT USE MORE IN PEAK PERIODS?

A. Yes. For some investments and expenses, the Staff directly allocates costs to classes based on peak use and annual consumption. Other investments and expenses such as mains relate investments and expenses and are allocated in part based on peak demand. To understand how higher use or peak use customers cause greater costs to be allocated to the Residential class, it is important to understand the method Staff uses to derive the Residential class peak demand and annual consumption. The Staff begins with actual Laclede billing data and makes adjustments to reflect normal weather based on estimates of the relationship between changes in consumption and changes in heating degree days throughout the year. The staff uses the same data to estimate peak demand. This underlying class billing data reflects a mix of consumption of high and low use customers, and a mix of consumption for peak and off-peak periods. Residential customers with relatively higher use during peak periods or relatively higher annual consumption cause a relatively higher level of investments and expenses to be assigned to the Residential class for recovery. The types of investments and associated expenses that Staff allocates directly on the basis of consumption or peak use include; production, transmission, storage, purchased gas and distribution measuring and regulating. In addition, the Staff allocates a significant portion of costs and expenses related to distribution mains on the basis of peak demand which was described above.

Q. WHAT DATA SHOWS THAT THE STAFF DIRECTLY ALLOCATED COSTS TO CLASSES BASED UPON PEAK USE AND ANNUAL CONSUMPTION?

A. Attachment BAM Rebuttal-2 includes copies of Staff workpapers that illustrate the derivation of per customer average consumption (used to derive annual consumption) and peak demand. Page 1 of 9 of Attachment BAM Rebuttal-2, illustrates a sample of billing cycle data for one of Laclede's 5 systems for the month of October. This type of billing cycle data is used to derive monthly numbers of customers, therm use and heating degree days and customer characteristics for each calendar month. The monthly sums are carried over to the Staff workpaper illustrated on Page 2 of 9 of Attachment BAM Rebuttal-2. This workpaper illustrates the technique used to estimate base consumption per customer per month plus the incremental consumption per customer per month that varies with heating degree days. Peak therm usage per day is derived using the same estimates of base consumption plus the incremental consumption associated with the month's maximum heating degree days. Pages 3-6 of 9 of Attachment BAM Rebuttal-2, show similar calculations as those on Page 2 of 9 of Attachment BAM Rebuttal-2, for the other 4 Laclede systems. At the bottom right of pages 2-6 of 9 of Attachment BAM Rebuttal-2, are the peak day therms. The sum of these peak day therms (equal to 6,049,472) flow into the mains allocator calculation illustrated on page 7 of 9 of Attachment BAM Rebuttal-2, and directly into the Staff class cost of service study illustrated on page 8 of 9 of Attachment BAM Rebuttal-2. Attachment BAM Rebuttal-2, Page 9 of 9 illustrates the functional cost

categories that are in whole or in part allocated on the basis of peak demand or annual consumption and the basis for allocating costs.

Q. DOES THE STAFF EXPLAIN ITS CONTINUED SUPPORT FOR THE SFV RATE DESIGN?

A. While Mr. Imhoff's testimony simply expresses a recommendation for the SFV rate design for the Residential class, the Staff Class Cost of Service report provides a limited discussion on pages 10-13.

Q. DR. WARREN ARGUES THAT THE ADVANTAGE OF THE SFV IS THAT SFV RATE DESIGN IS A FAIR WAY TO ENSURE THAT EACH CUSTOMER IN THE RESIDENTIAL CLASS PAYS THE APPROPRIATE SHARE OF DELIVERY COST REGARDLESS OF END USE. PLEASE RESPOND?

A. It is over simplistic from both a cost and public policy perspective to argue that it is appropriate that each customer should pay the same share of delivery costs regardless of end use. Mains are a shared facility, the cost of which can reasonably be apportion based on a number of considerations such as use, value of service or in some cases threat of bypass or economic development considerations. Additionally, Laclede may or may not have to invest in any new plant or incur any new costs related to mains to serve a new customer. The Staff proposal to charge an average rate to recover the pot of dollars allocated to the Residential class has little to do with the actual investment to serve an individual customer.

Q. PLEASE RESPOND TO DR. WARRENS CLAIM THAT THE SFV RATE STRUCTURE IS FAIR.

A. It is unclear to me why on the one hand the Staff considers it "fair" to allocate a higher level of certain investments and expenses based on higher class use but to ignore the same considerations when allocating costs within the class. It is appropriate and reasonable that a portion of cost recovery be based on rates that vary with use.

Based on the customer comments I reviewed in this and other cases, I do not believe that customers view the SFV rate design as a fair rate design. In comments to the Commission, a number of customers complained that the current $15.50 customer charge is already high. The Staff is proposing to roughly double the customer charge in this case. However, customers were never notified of this proposal that would cause large rate increases for low volume customers. The public notice only advised customers that Laclede's proposal would raise rates by approximately $5.59. Public Counsel encourages the Commission to retain a customer charge more likely to be viewed as fair by customers.

Q. DOES A TRADITIONAL RATE DESIGN PROVIDE CUSTOMERS A BETTER INCENTIVE TO CONSERVE THAT DOES A SFV RATE DESIGN?

A. Yes. The traditional rate design provides a better incentive for customers to conserve than does the SFV rate design because, under the traditional rate design, increasing consumption increases the non-gas charges a customer must pay. Under the SFV rate design, a customer using little or no natural gas in a month pays just as much in non-gas cost recovery as a customer using limitless natural gas. Setting non-gas rates in a manner that recovers a

portion of costs based on volumes creates an additional financial incentive for a customer to turn back the thermostat and to reduce the gas used for cooking and water heating.

Q. HAS THE STAFF PROPOSED THAT THE SFV BE IMPOSED ON ANY OTHER RATE CLASSES?

A. No.

Q. DOES PUBLIC COUNSEL SUPPORT LACLEDE'S PROPOSAL TO IMPLEMENT PREPAID DEPOSITS?

A. Not at this time and certainly not to the broad extent Laclede seeks. Under the Commission's Deposit Rule, customers are afforded the convenience of making payments toward required deposits. This policy reduces the up-front cost of customers initiating service and provides the added convenience of paying deposits along with the customer's regular bill.

Q. DOES PUBLIC COUNSEL SUPPORT LACLEDE'S PROPOSAL TO CHANGE THE NUMBER OF DAYS THAT LACLEDE CAN REFUSE TO RECONNECT SERVICE TO A CUSTOMER?

A. Currently according to 4 CSR 240-13.050(3) Laclede must not disconnect a customer without the customer having the opportunity to have service reconnected the next business day. Laclede proposes to allow itself up to 3 days to reconnect service. This proposal poses a significant threat to the health and safety of Laclede's customers. Public Counsel strongly urges the Commission to reject Laclede's proposal.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.