

Exhibit No.:	Revenue Requirement
Issue:	Greg Meyer
Witness:	Rebuttal Testimony
Type of Exhibit:	Missouri Industrial Energy Consumers
Sponsoring Party:	GR-2007-0208
Case No.:	June 24, 2010
Date Testimony Prepared:	

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

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**In the Matter of Laclede Gas Company's  
Tariff to Increase its Annual Revenues  
for Natural Gas Service**

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) **Case No. GR-2010-0171**  
) Tariff No. YG-2010-0376  
)  
)

Rebuttal Testimony and Schedule of

**Greg Meyer**

On Behalf of

**Missouri Industrial Energy Consumers**

June 24, 2010  
Project 9260



**BEFORE THE PUBLIC SERVICE COMMISSION  
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STATE OF MISSOURI     )  
                                  )  
COUNTY OF ST. LOUIS    )     SS

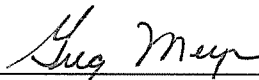
**Affidavit of Greg Meyer**

Greg Meyer, being first duly sworn, on his oath states:

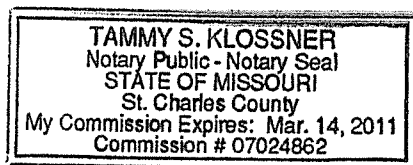
1. My name is Greg Meyer. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on their behalf.


2. Attached hereto and made a part hereof for all purposes are my rebuttal testimony and schedule, which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. GR-2010-0171.

3. I hereby swear and affirm that the testimony and schedule are true and correct and that they show the matters and things they purport to show.

  
\_\_\_\_\_  
Greg Meyer

Subscribed and sworn to before this 23<sup>rd</sup> day of June, 2010.



  
\_\_\_\_\_  
Notary Public

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**Rebuttal Testimony of Greg Meyer**

1    **Q     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2    A     My name is Greg Meyer and my business address is 16690 Swingley Ridge Road,  
3           Suite 140, Chesterfield, MO 63017.

4    **Q     ARE YOU THE SAME GREG MEYER THAT FILED DIRECT TESTIMONY IN THIS**  
5           **PROCEEDING?**

6    A     Yes.

7    **Q     ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

8    A     I am appearing on behalf of the Missouri Industrial Energy Consumers (MIEC).

9    **Q     WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10   A     The purpose of my rebuttal testimony is to rebut the testimony of Laclede Gas  
11           Company's (Laclede or Company) witness Glenn W. Buck regarding the treatment of  
12           uncollectibles in Laclede's cash working capital (CWC) analysis.

**Greg Meyer  
Page 1**

1    **Q     PLEASE DESCRIBE LACLEDE'S TREATMENT OF UNCOLLECTIBLES IN THE**  
2    **CWC ANALYSIS.**

3    A     Laclede calculated the customers' payment lag utilizing an accounts receivable  
4           turnover analysis. An accounts receivable turnover analysis measures, in days, the  
5           average amount of time it takes to pay off the accounts receivable balance during a  
6           12-month period.

7                 Laclede's turnover analysis produced a collection lag of 32.74 days.  
8           Therefore, Laclede turns over its accounts receivable balance on average  
9           approximately 11 times a year ( $365 \div 32.74$ ).

10   **Q     DOES THE TURNOVER ANALYSIS ACCURATELY ESTIMATE A COLLECTION**  
11    **LAG?**

12   A     No. The turnover analysis includes uncollectible revenues. Laclede's witness, Mr.  
13           Buck, recognizes this problem and describes on page 8 of his direct testimony that  
14           the accounts receivable turnover calculation includes customers who will never pay  
15           their bills. Including uncollectible revenues in the turnover analysis has the effect of  
16           inflating the revenue collection lag. Mr. Buck proposes to address this error by  
17           including an adjustment in the CWC study to account for the inclusion of  
18           uncollectibles in the billed revenues and accounts receivables of Laclede.

19   **Q     PLEASE DESCRIBE THE ADJUSTMENT THAT MR. BUCK PROPOSES FOR**  
20    **ADDRESSING THIS OVERSTATEMENT PROBLEM IN THE COLLECTION LAG?**

21   A     Mr. Buck proposes to include an adjustment in the CWC study by assigning a  
22           six-month lag to the uncollectibles that were written off during the test year.

1    **Q     WILL MR. BUCK’S PROPOSED ADJUSTMENT PROVIDE A REASONABLE**  
2           **COLLECTION LAG ESTIMATE?**

3    A     No.

4    **Q     WHY?**

5    A     Mr. Buck’s proposal to use a six-month timeframe to correct this uncollectible lag  
6           estimate is not reasonable.

7    **Q     PLEASE EXPLAIN.**

8    A     Mr. Buck assumed a six-month lag which will capture the time from when a customer  
9           receives a final bill until that customer’s account is charged off as uncollectible. This  
10          six-month time period is however too short.

11                 On page 8 of Mr. Buck’s testimony, he states:

12                         “From the time these amounts are billed until the time they are written  
13                         off, approximately 7 months later, they are included in the accounts  
14                         receivable balance and have the effect of seemingly driving up the  
15                         revenue lag.”

16                 In contrast, Laclede’s witness, James A. Fallert, states on page 9 of his direct  
17          testimony the following regarding the write-off of uncollectibles:

18                         “There is generally a ten-month lag between the revenue period when  
19                         the customer is rendered service and the period when the customer’s  
20                         account will be written off.”

21    **Q     WHY ARE THERE DIFFERENT TIME PERIODS BETWEEN WITNESSES?**

22    A     It is my understanding that the time period referred to by Mr. Buck measures the time  
23           from final bill until the account is written off. Mr. Fallert’s testimony refers to the time  
24           period from when the customer receives service until the account is written off. The  
25           average amount of time between when a customer receives service and the issuance

1 of a final bill is approximately three months. This explanation would reconcile the  
2 difference between the seven months testified to by Mr. Buck and the 10 months  
3 referenced by Mr. Fallert.

4 **Q WHICH TIME PERIOD DO YOU BELIEVE IS REASONABLE?**

5 A I believe the correct timeframe is the 10 months supported by Mr. Fallert's testimony.  
6 This timeframe measures the average time from when the customer receives service  
7 until the time the customer's account is written off.

8 What is evident from these comparisons is that Mr. Buck's proposed lag of six  
9 months is too short based on both Laclede witnesses' testimonies.

10 **Q IF YOU HAD AGREED WITH MR. BUCK'S METHODOLOGY, WHAT EXPENSE**  
11 **LAG WOULD YOU HAVE USED TO CALCULATE THE UNCOLLECTIBLE**  
12 **ADJUSTMENT?**

13 A I would suggest that a more appropriate lag adjustment to account for uncollectibles  
14 using Laclede's methodology should be a 10-month lag instead of the six-month lag  
15 proposed by Mr. Buck. I have attached as Schedule GRM-R1 Laclede's calculation  
16 of CWC, but have incorporated a 10-month lag for uncollectibles. The CWC  
17 requirement decreases by \$6.1 million from Laclede's direct case.

18 **Q HOW DOES THIS COMPARE TO YOUR PROPOSED CWC ALLOWANCE?**

19 A I continue to support the collection lag recommendation included in my direct  
20 testimony. That collection lag is derived from customer samples which do not reflect  
21 the effects of uncollectibles. My adjustment is a \$25.4 million reduction to Laclede's  
22 CWC study.

1    **Q     DO YOU BELIEVE THE CORRECTION TO THE COMPANY'S CWC STUDY**  
2       **PROVIDES A REASONABLE CWC ALLOWANCE?**

3    A     No. I continue to support a collection lag based on customer samples. Those  
4       samples of Laclede customers produced reasonable collection lags even when  
5       performed on several occasions for different time periods. Even correcting Laclede's  
6       collection lag for the effect of uncollectibles produces a revenue lag that is overly  
7       long. This inflated revenue lag would impact the CWC requirement for every  
8       expense.

9    **Q     DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

10   A     Yes, it does.

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LACLEDE GAS COMPANY  
REVISED SUMMARY OF LAG TIME FROM PAYMENT OF EXPENSE UNTIL REVENUE IS RECEIVED  
TEST YEAR ENDED SEPTEMBER 30, 2009  
(Thousands of Dollars)

<u>Line</u>	<u>Description</u>	<u>Normalized 12 Month Expenses</u> (1)	<u>Average Daily Expense</u> (2)	<u>Lag Days From Day of Expense To Day Paid</u> (3)	<u>Net (Lead)/Lag Days from Day Exp. Paid To Day Rev. Rec'd</u> (4)	<u>Cash Required For Operating Expenses</u> (5)
	Gas Costs					
1	Natural Gas	619,275	1,692.008	40.7	9.1	15,313
2	L.P. - Peaking	5,645	15.423	31.5	18.3	281
3	L.P. - Subdivision	101	0.276	50.8	(1.1)	0
4	Total Gas Costs	<u>625,021</u>	<u>1,707.707</u>			<u>15,594</u>
	Labor and Related Expenses					
5	Wages - Contract	53,060	144.973	12.0	37.8	5,473
6	- Management	27,733	75.773	16.2	33.6	2,542
7	- Missouri Natural	6,252	17.082	13.0	36.8	628
8	Group Insurance	12,183	33.287	(2.4)	52.2	1,736
9	401 (k) Contributions	2,818	7.699	13.2	36.6	281
10	Pensions and Other Postretirement Benefits	27,124	74.109	52.6	(2.9)	(211)
11	Total Labor and Related Expenses	<u>129,170</u>	<u>352.923</u>			<u>10,449</u>
	Other Expenses					
12	Materials and Supplies	3,846	10.508	24.1	25.7	270
13	Transportation	7,720	21.093	22.2	27.6	581
14	Natural Gas Costs to Operations	501	1.369	35.4	14.4	20
15	Utilities	1,078	2.945	26.0	23.8	70
16	Postage	2,864	7.825	(6.1)	55.9	437
17	Misc. Customer Accounts Expense	3,572	9.760	42.0	7.8	76
18	Uncollectible Accounts - Actual	13,792	37.683	304.2	(254.4)	(9,587)
19	Uncollectible Accounts - Adjustment	1,853	5.063	304.2	(254.4)	(1,288)
20	Fees - Misc. Services	2,767	7.560	92.6	(42.9)	(324)
21	MoPSC Assessment	2,099	5.735	0.0	49.8	285
22	Rents	825	2.254	(1.2)	51.0	115
23	Miscellaneous Expense	23,671	64.675	30.0	19.8	1,277
24	Total Expense	<u>64,588</u>	<u>176.470</u>			<u>(8,068)</u>
25	Incidental Oil Sales - Expense	<u>45</u>	<u>0.123</u>	67.3	(17.6)	<u>(2)</u>
26	Subtotal of Above Expenses	<u>818,824</u>	<u>2,237.223</u>			<u>17,973</u>
	Taxes (Other Than Deferred Taxes)					
27	Distribution - Income Taxes	(1,198)	(3.273)	62.5	(12.8)	42
28	- Gross Receipts Taxes	50,603	138.260	*	(7.9)	(1,092)
29	- Employment Taxes	6,463	17.658	16.1	33.7	594
30	- Property Taxes	11,443	31.265	182.5	(132.8)	(4,150)
31	- Other Taxes	744	2.033	(1.0)	50.8	103
32	Total Taxes	<u>68,055</u>	<u>185.943</u>			<u>(4,503)</u>
	TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION, AMORTIZATION, AND DEFERRED TAXES	886,879	2,423.166			13,470
34	Sales Taxes	13,017	35.566	*	10.3	366
35	Employee Taxes Withheld	26,778	73.164	*	(4.1)	(300)
36	Interest Expense Offset - LTD	20,950	57.240	90.1	(40.4)	(2,310)
37	Interest Expense Offset - STD	<u>-</u>	<u>0.000</u>	12.4	37.4	<u>0</u>
38	TOTAL CASH WORKING CAPITAL ITEMS	<u>947,624</u>	<u>2,589.136</u>			<u>11,226</u>

\* - Net (Lead)/Lag Days determined independently for these items