

LAW OFFICES
BRYDON, SWEARENGEN & ENGLAND

PROFESSIONAL CORPORATION

312 EAST CAPITOL AVENUE

P.O. BOX 456

JEFFERSON CITY, MISSOURI 65102-0456

TELEPHONE (573) 635-7166

FACSIMILE (573) 635-0427

DAVID V.G. BRYDON
JAMES C. SWEARENGEN
WILLIAM R. ENGLAND, III
JOHNNY K. RICHARDSON
GARY W. DUFFY
PAUL A. BOUDREAU
SONDRA B. MORGAN
CHARLES E. SMARR

DEAN L. COOPER
MARK G. ANDERSON
GREGORY C. MITCHELL
BRIAN T. MCCARTNEY
DIANA C. FARR
JANET E. WHEELER

OF COUNSEL
RICHARD T. CIOTTONI

November 19, 2002

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

FILED⁴
NOV 19 2002

Re: Case No. GT-2003-0117

Missouri Public
Service Commission

Dear Mr. Roberts:

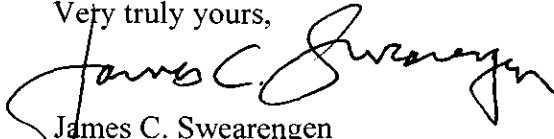
Enclosed for filing with the Missouri Public Service Commission in the referenced case on behalf of Laclede Gas Company please find an original and eight (8) copies of the direct testimony and schedules of Michael T. Cline, John Moten, Jr., and James A. Fallert.

Would you please see that this filing is brought to the attention of the appropriate Commission personnel.

A copy of this filing is being provided to all parties.

I thank you in advance for your cooperation in this matter.

Very truly yours,


James C. Swearengen

JCS/lar

Enclosure

cc: Dan Joyce
John Coffman
Ronald Molteni

Exhibit No.:
Issue: Catch-Up/Keep-Up
Program
Witness: John Moten, Jr.
Type of Exhibit: Direct Testimony
Sponsoring Party: Laclede Gas Company
Case No.: GT-2003-0117
Date: November 19, 2002

LACLEDE GAS COMPANY

GT-2003-0117

DIRECT TESTIMONY

OF

JOHN MOTEN, JR.

FILED
NOV 19 2002
Missouri Public
Service Commission

TABLE OF CONTENTS

	<u>Page</u>
General Information/Qualifications	1
Purpose of Testimony	2
Background, Features and Goals of the Catch-Up/Keep-Up Program	3
Elimination of the Company's 10 Percent Share	7
Elimination of "Incentive" to Increase Maximum Rates	7
Modifications to Address Legal Concerns	10
Operational Revisions	12
Need for and Benefits of the Catch-Up/Keep-Up Program	14
A. Need for the Program	14
B. Benefits of the Program	17
Laclede's Other Efforts to Assist Customers	18

1 **DIRECT TESTIMONY OF JOHN MOTEN, JR.**

2 **General Information/Qualifications**

3 Q. Please state your name and business address.

4 A. My name is John Moten, Jr., and my business address is 720 Olive Street, St. Louis,
5 Missouri 63101.

6 Q. What is your present business position?

7 A. I presently serve as Senior Vice President-Operations and Marketing for Laclede Gas
8 Company.

9 Q. How long have you held your position?

10 A. I was elected to my present position effective July 1, 2001.

11 Q. Would you briefly describe your duties as Senior Vice President-Operations and
12 Marketing?

13 A. In my present position, I have overall management responsibility for the Company's
14 Operations, Marketing, Information Systems, Information Security and Corporate Safety
15 divisions and the various departments that support them. In addition, I also oversee the
16 Company's legislative efforts to obtain adequate funding, governmental and otherwise,
17 for energy assistance for low-income households within the Laclede service territory and
18 across the State as well as its implementation of certain customer assistance programs.
19 These programs include:

- 20 • The Laclede Employee Volunteer Weatherization Program ("WeatherWise") for
21 elderly and handicapped low-income households;
- 22 • The Laclede EnergySmart Programs for low-income energy assistance recipient
23 households who are without natural gas service at the start of winter ("Customer

1 Assistance Program”); and informational workshops at social service agency sites

2 (“Customer Education Program”);

- 3 • Administrative support for the Dollar-Help Program;
- 4 • Involvement in non-profit organizations established to help the community;
- 5 • Employee Volunteer programs to assist customers and their families, such as
- 6 fundraising for Dollar-Help, Arts & Education Council and United Way.

7 Q. What is your educational background?

8 A. I received a Bachelor of Science Degree in Chemistry from Morehouse College in
9 Atlanta, Georgia, in 1962.

10 Q. Will you describe your work experience with Laclede?

11 A. I joined Laclede in 1962 as an Assistant Chemist and was promoted to Chief Chemist in
12 1967. I then became Laboratory Superintendent in 1972 and Director of Laboratory
13 Services in 1973. In 1980 I was made Director of Conservation Services and then
14 Director of Community Affairs/Conservation in 1986. I became Vice President,
15 Community Relations in 1994. As stated above, I assumed my present position on July 1,
16 2001.

17 Q. Have you previously filed testimony before the Missouri Public Service Commission
18 (“Commission”)?

19 A. Yes, I have filed testimony in a number of Commission proceedings, including Case Nos.
20 GR-98-374, GR-99-315, GR-2001-629, GT-2001-329 and GR-2002-356.

21 **Purpose of Testimony**

22 Q. What is the purpose of your direct testimony?

1 A. The purpose of my testimony is threefold. First, I will briefly outline the major features
2 and goals of the experimental Catch-Up/Keep-Up Program (the "Program") that the
3 Company has developed in an effort to provide financial assistance to its most vulnerable
4 customers under terms that are designed to benefit all of the Company's customers. In
5 addition to describing the Program, I will also explain how it has evolved over time to
6 address the concerns that have been expressed by various parties. Second, I will explain
7 why there is a critical and continuing need for such a Program and why the Program will
8 benefit our most vulnerable customers as well as the Company's other customers. Third,
9 I will describe how the Catch-Up/Keep-Up Program is but one component -- albeit a very
10 important component -- of the Company's continuing efforts to assist its most vulnerable
11 customers and improve the economic and social climate within the St. Louis region.

12 Q. Is the Company's proposal to implement this Program also being addressed by other
13 Laclede witnesses?

14 A. Yes. Laclede witnesses Michael T. Cline and James A. Fallert are also submitting direct
15 testimony on various aspects of the Program.

16 **Background, Features and Goals of the Catch-Up/Keep-Up Program**

17 Q. Please describe the major features and goals of the Company's proposed Catch-Up/Keep-
18 Up Program.

19 A. The Catch-Up/Keep-Up Program is an experimental program that has been developed by
20 the Company to benefit both the Company's low-income customers as well as its other
21 customers. The terms and conditions of the Program, as filed in tariff form on September
22 23, 2002, are set forth in Schedule JM-1 to my Direct Testimony.

1 Q. How is the Catch-Up/Keep-Up Program designed to benefit the Company's low-income
2 customers?

3 A. The Program is designed to benefit low-income customers in three key ways. First, it
4 would allow eligible customers to initiate, or continue to receive, utility service at a
5 levelized, affordable rate equal to 1/12 of their annual charges for gas service, net of any
6 available grants from other sources. Such payment terms are significantly more
7 favorable than those mandated under the Commission's Cold Weather Rule because the
8 availability of Program funds makes it possible, among other things, to exclude any
9 arrearages in the determination of the customer's payment obligation. Second, the
10 Program would provide the customer with the ability to work off these arrearages by
11 simply establishing a practice of making his or her reduced payment obligations on a
12 timely basis and agreeing to implement cost-free, self-help conservation measures.
13 Specifically, the Program would provide grants to offset a portion of the customer's
14 arrearages each time the customer succeeds in making three consecutive timely
15 payments, taking into consideration any financial assistance received by the customer
16 from other sources. The ultimate goal of these measures is to provide the customer with
17 the means, as well as the incentive, to "break the cycle" of missed payments and service
18 interruptions that impose costs on both the customer and the utility. In the process, it is
19 also designed to relieve the kind of stress that results from a chronic uncertainty over
20 high past due obligations and, more importantly, whether utility service will be available.
21 Finally, the Program would provide the Company with an incentive to extract and
22 maintain the greatest level of pipeline discounts possible from its out-of-state pipeline
23 suppliers on behalf of such customers.

1 Q. How is the Catch-Up/Keep-Up Program designed to benefit those customers of the
2 Company that would not be participating in the Program?

3 A. The Program is also designed to benefit these customers in three major ways. First, it
4 would encourage the kind of positive changes in the payment and energy conservation
5 practices of the Company's most vulnerable customers that, over the longer term, can
6 reduce the level of uncollectible and collection expenses that would otherwise be
7 reflected in the Company's cost of service. Second, it is structured to ensure that the
8 Company's remaining customers will receive the benefit of these favorable impacts. The
9 Program does this by including provisions that safeguard the Company's access to the
10 same amount of federal and state low-income energy assistance that it would otherwise
11 receive in the absence of the Program and by requiring that all funding under the Program
12 be used to benefit natural gas customers of Laclede. Finally, as I indicated before, the
13 Program would give the Company an incentive to maximize the level of pipeline
14 discounts to be shared with these customers.

15 Q. How would the Program be funded?

16 A. The Program would be funded through 30 percent of the savings achieved by the
17 Company as a result of its ability and success in negotiating discounts from the maximum
18 rates charged by its pipeline suppliers for transportation and storage services. The
19 remaining 70 percent of those savings would be distributed to all of the Company's
20 customers.

21 Q. You mentioned that the Catch-Up/Keep-Up Program was filed on September 23, 2002.
22 Was this the first filing that the Company had made to implement the Catch-Up/Keep-Up
23 Program?

1 A. No. The Company filed an earlier version of the Catch-Up/Keep-Up Program on July 29,
2 2002. Following that filing, however, the Staff filed a motion to suspend the Company's
3 tariff filing and an accompanying memorandum in which it raised several concerns
4 regarding the Program. Specifically, the Staff claimed that the Program was similar to a
5 pipeline discount incentive program that Laclede had previously proposed in that it would
6 allow Laclede to charge some customers more than the actual cost of service, and use
7 these extra proceeds to help needy customers and reward shareholders. The Staff also
8 suggested that the Program would give Laclede an incentive to favor higher Federal
9 Energy Regulatory Commission ("FERC") tariff pipeline rates in order to increase the
10 amount of the discount available for the Program; and that it might result in an unlawful
11 subsidy of some customers by other customers. In addition to identifying these concerns
12 regarding the Program itself, the Staff also suggested that additional review was
13 necessary to study the operational details of the Program and its relationship with other
14 matters pending before the Commission.

15 Q. Did the Company agree with the various concerns expressed by the Staff?

16 A. We expressed our disagreement with a number of the concerns that had been raised by
17 the Staff in a pleading that we filed on August 26, 2002. In an effort to get this critical
18 Program up and running, however, we ultimately made numerous revisions to the
19 Program to address the concerns that were raised by Staff in its Motion as well as to
20 incorporate other recommendations and suggestions that we had received regarding the
21 Program.

1 **Elimination of the Company's 10 Percent Share**

2 Q. Did the Company make any revisions to its original proposal to retain for its own use 10
3 percent of the pipeline discount savings achieved under the Program?

4 A. Yes. As originally proposed, the Catch-Up/Keep-Up Program would have authorized the
5 Company to retain for its own use 10 percent of the discounts achieved by the Company.
6 Based on the concerns expressed by Staff and other parties, however, it became apparent
7 to the Company that the right to retain a portion of these discount savings for its own use
8 was a significant and problematic issue that threatened our ability to get the Program in
9 place. Accordingly, when it filed the currently pending Catch-Up/Keep-Up Program in
10 late September, the Company took this issue completely off the table by voluntarily
11 eliminating any retention of discount savings for its own use. As a result, under the
12 current Program, the *entire* 30 percent share of discount savings achieved by the
13 Company would be used to fund the Program. By converting the Program to one where
14 all of the savings achieved by the Company as a result of its efforts to negotiate discounts
15 are passed through to customers -- with struggling families and economically vulnerable
16 customers receiving an extra measure of help -- Laclede has attempted to provide a
17 common ground upon which all parties and the Commission can hopefully stand and
18 share the same vision of what is in the public interest.

19 **Elimination of "Incentive" to Increase Maximum Rates**

20 Q. What revisions did the Company make in response to Staff's concern that the Program
21 would give Laclede an incentive to agree to higher maximum FERC rates for its pipeline
22 supplies since higher rates would allow the Company to achieve higher discounts and
23 thereby increase its share of discount savings?

1 A. Although Laclede strongly disagreed with the notion that it would engage in such
2 activity, it nevertheless incorporated in the new Program two features designed to address
3 this concern. The first has already been discussed and involves the elimination of the 10
4 percent retention amount by the Company -- a revision that obviously eliminates any
5 direct incentive to engage in the kind of activity mentioned by Staff. The second is the
6 addition of a provision that also eliminates any indirect incentive by placing a firm cap of
7 \$6 million on the amount of pipeline savings that may be devoted to the Program. (See
8 Schedule 1, Subsection H.2). It should be noted that this capped amount is already below
9 the current level of discount savings that would be devoted to the Program in the event
10 Laclede was able to utilize a full 30 percent of its pipeline discounts. As a result, it
11 obviously eliminates any incentive to generate additional discount amounts by somehow
12 fostering an increase in maximum pipeline rates, since such an increase would have no
13 effect on the overall amount of discounts retained for the Program.

14 Q. Does that mean that under the revised Program, the Company has no financial incentive
15 whatsoever to do a good job in negotiating discounts in the amounts charged by its
16 interstate pipeline suppliers?

17 A. No. While Laclede has tried to be as responsive as possible to Staff's concerns by
18 placing a hard cap on the amount of discount savings that may be devoted to the
19 Program, the Company still has a financial incentive under the Program to negotiate the
20 best deals it can when contracting for pipeline services.

21 Q. Why is that so?

22 A. Because to the extent the Company can achieve or maintain some level of pipeline
23 discounts, the Program still allows the Company to use a portion of those discounts to

1 help customers who might otherwise be unable to pay their utility bills. To the extent this
2 happens, both the Company and its remaining customers will be benefited over the long-
3 term through a reduction in the bad debts that would otherwise be experienced by the
4 Company and eventually paid for by its customers. Accordingly, while any financial
5 benefit to the Company as a result of its pipeline negotiation efforts may be more
6 uncertain and less direct than those that have been afforded by other incentive programs
7 approved by the Commission, there is still a link between the Company's performance
8 and its financial interests. As a result, the Catch-Up/Keep-Up Program continues to
9 retain the essential attributes of an incentive program.

10 Q. Do the incentive features of the Catch-Up/Keep-Up Program have any other attributes
11 that, from the customer's perspective, compare favorably to those contained in other
12 pipeline discount programs that have been approved by the Commission?

13 A. Yes, I think it is important to note that compared to other incentive programs that have
14 previously been approved by the Commission, the Catch-Up/Keep-Up Program ensures
15 that customers will receive a far greater portion of the discount savings actually achieved
16 by the Company. In fact, the Program ensures that Laclede's customers will receive the
17 benefit of every last dime of the discount savings achieved by the Company since all of
18 those savings will either be used to fund the Program or flowed through to all remaining
19 customers. In addition, the Program also provides the Company's customers with an
20 incentive to take actions, in the form of making timely payments on their gas bills in
21 exchange for help in working off their arrearages, that are designed to benefit all
22 customers. In other words, this is a Program that gives both the Company *and* its
23 customers incentives to take actions that are designed to benefit all customers, while at

1 the same time ensuring that customers will indeed receive the full measure of those
2 benefits. In my opinion, it is difficult to conceive of a more customer-friendly program.

3 **Modifications to Address Legal Concerns**

4 Q. Did the Company also make modifications to the Program to address some of the legal
5 concerns that have been raised by Staff?

6 A. Since I have been advised by legal counsel that the Staff has taken the position that the
7 Catch-Up/Keep-Up Program is lawful as long as it is funded through an appropriate
8 incentive mechanism, and I believe the Catch-Up/Keep-Up Program qualifies as such, I
9 am unaware of any basis for such concerns. Nevertheless, to further address this concern,
10 the Company has re-designated the Program as "experimental" in the New Tariff. (See
11 Schedule 1, Section H title, and Subsection H.1). Based on the advice of legal counsel, it
12 is my understanding that both the Commission and Missouri courts have consistently
13 found that the Commission has broad authority to approve experimental rates for the
14 purpose of acquiring the data necessary to fix just and reasonable rates. By designating
15 the Program as experimental, the Company has brought it squarely within this broad
16 range of Commission discretion.

17 Q. Has the Commission previously used such discretion to approve programs that contain
18 features similar to those in the Catch-Up/Keep-Up Program?

19 A. Yes. As discussed in the direct testimony of Michael T. Cline, the funding aspects of the
20 Program are rooted in previous pipeline discount programs that have been approved by
21 the Commission over the years, both as a part of general rate case proceedings and
22 outside of general rate case proceedings. The low-income grant aspects of the Program
23 are also solidly grounded in programs that have previously been approved by the

1 Commission, such as the Company's current weatherization program. Like the Catch-
2 Up/Keep-Up Program, this tariffed weatherization program provides monetary grants to
3 individual customers based on their eligibility for assistance under low-income
4 guidelines. Indeed, the only material difference between this Program and the
5 weatherization program is that the individual monetary grants made under the latter are
6 generally significantly greater (up to \$3,000 per eligible customer) than the grants that are
7 likely to be made under the Catch-Up/Keep-Up Program. In short, there is not a *single*
8 feature of the Catch-Up/Keep-Up Program that has not previously been approved by the
9 Commission in one form or another, and the addition of an experimental designation to
10 the tariff should give the Commission ample flexibility to approve such features in this
11 case.

12 Q. Has the Commission also approved experimental programs for other utilities that, like the
13 Catch-Up/Keep-Up Program, provide monetary grants for customers based on their
14 income levels?

15 A. Yes, and it is my understanding that such programs have been supported by both Staff
16 and Public Counsel. In fact, as described in greater detail by Mr. Cline, Staff and Public
17 Counsel have affirmatively proposed experimental programs under which the base rates
18 of other customers would be increased in order to fund low-income energy assistance
19 programs. In my view, these proposals by Staff and Public Counsel, and their approval in
20 one form or another by the Commission, lend strong support to the Company's position
21 that it is legal, worthwhile and in the interests of all utility customers to pursue initiatives
22 like the Catch-Up/Keep-Up Program. Specifically, they demonstrate a shared consensus:
23 (a) that there is a critical and growing need for programs that, like the Catch-Up/Keep-Up

1 Program, are designed to make utility service affordable for the utility's most vulnerable
2 customers while providing them with an incentive to improve their payment performance
3 and (b) that such programs have a reasonable prospect of ultimately benefiting all
4 customers. At the same time, I believe the Catch-Up/Keep-Up Program is superior to
5 these other programs in that it uses a funding source that depends on the Company's
6 successful efforts to negotiate payment obligations with its out-of-state pipeline suppliers
7 that are *below* the maximum rates that the FERC has deemed to be just and reasonable.
8 In other words, rather than simply increasing the base rates paid by other customers to
9 fund financial assistance for low-income customers, the Catch-Up/Keep-Up Program
10 provides an incentive to reduce costs for all customers, while using a portion of the fruits
11 of those efforts to provide needed assistance to our most vulnerable customers. Given all
12 of these considerations, I believe the Catch-Up/Keep-Up Program can only be viewed as
13 another, albeit improved, version of experimental low-income programs that have already
14 been endorsed by both the Staff and Public Counsel.

15 Operational Revisions

16 Q. Notwithstanding its views regarding the inherent attributes of the Catch-Up/Keep-Up
17 Program, did the Company nevertheless make other revisions to the Program in response
18 to various concerns and recommendations regarding the operational details of the
19 Program?

20 A. Yes. In an effort to respond to the many suggestions we received, Laclede made
21 numerous other changes to the Program. Some of the more notable ones included:

- 22 (i) the addition of a provision clarifying that customers will not be automatically
23 disqualified from the Program if their failure to meet required payment

obligations is due to extenuating circumstances (*see* Schedule JM-1, Subsection H.1 and Subparagraph c of Subsection H.3);

(ii) the addition of a provision specifying that any contracts required to administer the Program will be subject to review by the Staff and Public Counsel (*see* Schedule JM-1, Subsection H.3);

(iii) the addition of a provision committing the Company, to the extent reasonably practical and requested by the customer, to offer customers on the Program a delayed payment date if required to accommodate when the customer receives a monthly income check (*see* Schedule JM-1, Subparagraph d of Subsection H.3);

(iv) the addition of a provision specifically limiting the third-party administrative costs of the Program for customer outreach, bill payment counseling, conservation and weatherization expenses, etc. to 10 percent of the Program's funding or \$600,000, and further providing that the allocation of such expenses between these activities will be subject to subsequent discussions between the Company, Staff, Public Counsel and the Department of Natural Resources and recommendations to the Commission (*see* Schedule JM-1, Subparagraph e of Subsection H.3);

(v) the addition of language specifically requiring that all funds received for the Program be placed in a separate Escrow Account and providing that such funds, together with all interest, net of taxes, earned on those funds, be used solely for the purposes permitted under the Program (*see* Schedule JM-1, Subsection H.2);
and

1 (vi) the addition of language specifying that any unused and uncommitted funds under
2 the Program will be flowed through to all firm sales customers through the
3 Purchased Gas Adjustment ("PGA") Clause should the Program be terminated.
4 (See Schedule JM-1, Subparagraph g. of Subsection H.3).

5 Q. Do you believe that these revisions have further enhanced the Program?

6 A. Yes. I believe all of these changes represent constructive and beneficial enhancements to
7 the Program. I think they also reflect a willingness on the part of the Company to "go the
8 extra mile" in trying to fashion a Program that reasonably accommodates the views and
9 input of all interested stakeholders. The Company has done so because it strongly
10 believes, for the reasons I discuss below, that the Program is necessary to meet a critical
11 need that is not being addressed by any other private or public program. As the
12 Commission evaluates still other changes that may be proposed to the Program, I believe
13 it is important for it to keep in mind that this need will never be met if the Program is
14 revised out of existence or indefinitely delayed in the name of making a seemingly
15 endless series of refinements.

16 **Need for and Benefits of the Catch-Up/Keep-Up Program**

17 A. **Need for the Program**

18 Q. Turning to the second issue you wish to discuss, please describe why there is a need for
19 the Catch-Up/Keep-Up Program.

20 A. The Catch-Up/Keep-Up Program is needed to address a gap between the customer's
21 income level and the resources the customer requires in order to have any real
22 opportunity to retain utility service; a gap that cannot be filled by the level of funding
23 available from the Low Income Home Energy Assistance Program ("LIHEAP") and

1 other sources to help those customers. Over 90,000 of the Company's customers have
2 incomes low enough to be eligible for LIHEAP assistance. And yet only about 15 to 20
3 percent of these households actually receive assistance from LIHEAP. Moreover, for
4 those households that are able to receive LIHEAP assistance, their incomes are extremely
5 low, averaging around \$6,970 per year in FY 2001. As a result, even with the modest
6 grants available through LIHEAP, these households still have an energy burden (i.e.
7 expenditures for utility service as a percentage of income) that substantially exceeds the
8 maximum recommended amount of 10 percent of income.

9 Q. Is there a possibility that state and federal energy assistance funding will increase in the
10 near future?

11 A. No. The amount of LIHEAP funding continues to decline. In FY 2001, Missouri
12 received about \$51.4 million in LIHEAP funds. This declined to approximately \$41
13 million in FY 2002. Notably, there was no appropriation at all from state revenues for
14 low-income energy assistance under the UtiliCare program in FY 2002. Moreover, of the
15 \$5 million that was appropriated by the State in FY 2001, only about \$1.5 million of this
16 amount was actually spent due to an interpretation of the State's UtiliCare Law that
17 Laclede, Public Counsel and other parties successfully sought to correct in the last
18 legislative session.

19 Q. What is the outlook for LIHEAP funding for this coming winter?

20 A. At this time, we project total funding for FY 2003 in Missouri to be about \$9 million less
21 than the amount received in FY 2002; i.e. about \$32 million versus about \$41 million
22 received in fiscal year 2002. In addition, with the State's budget woes, I am not

1 optimistic about the prospects of receiving any state appropriations for low-income
2 energy assistance in the upcoming legislative session.

3 Q. Are there other sources of financial assistance for low-income customers?

4 A. Yes, but they are limited. As the Commission knows, the Company has been very
5 actively involved over the years in supporting Dollar-Help as a safety net program for the
6 poorest customers as well as other programs designed to raise non-governmental sources
7 of energy assistance. And while these and other efforts have had some success, they have
8 not and cannot generate funds sufficient to meet the need that exists for energy
9 assistance.

10 Q. Is the gap between the amount of funds available for energy assistance and the need for
11 such assistance evident in other data available to the Company?

12 A. Yes. As explained more fully by Laclede witness Fallert, this gap is shown, in part, by
13 the significant level of arrearages being experienced by the Company. Specifically, it is
14 demonstrated by the fact that as of September 30, 2002, there were 110,324 residential
15 customers on Laclede's system with total arrearages of \$18,523,000. Moreover, a total of
16 21,080 of these customers' accounts had been finaled, meaning that they are not currently
17 receiving gas service. Arrearages applicable to these finaled accounts totaled nearly \$10
18 million as of that same date. It would, of course, be incorrect to suggest that all of these
19 customers will be unable to meet their utility payment obligations. Nevertheless the
20 sheer magnitude of the arrearage problem faced by the Company and its customers
21 indicates that the size and funding level of the Catch-Up/Keep-Up Program is
22 proportionate to the need for the Program.

1 **B. Benefits of the Program**

2 Q. Please describe what you believe will be the primary benefits of the Program should it be
3 approved by the Commission.

4 A. As I indicated earlier in my testimony, the Program is designed to benefit both the
5 Company's most vulnerable customers as well as those customers who will not be
6 participating in the Program. I think the benefits for those customers participating in the
7 Program are fairly obvious. In exchange for making timely payments and agreeing to
8 implement low or no cost weatherization and conservation measures that will also benefit
9 them, these customers will be entitled to receive service under more affordable terms. In
10 addition, they will have an opportunity to get relief from arrearages that would otherwise
11 continue to make utility service unaffordable. With respect to other customers, as
12 discussed in the direct testimony of Company witness James A. Fallert, all of the
13 Company's paying customers pay for the bad debts of those who don't pay, since these
14 bad debts are ultimately recovered as a cost of service through the ratemaking
15 mechanism. By enabling poor customers to develop better payment habits, the Program
16 can reduce the level of these bad debts in the long run. Concurrently, the cost of taking
17 collection action against these customers should decline and the amount of working
18 capital devoted to carrying their arrearages should decrease. These benefits will also
19 eventually flow to all customers in the form of reductions in these elements of the
20 Company's cost of service.

21 Q. Is there empirical support for the proposition that such reductions will, in fact, occur?

22 A. Yes. In Missouri Gas Energy Case No. GR-2001-292, extensive evidence was provided
23 by Roger D. Colton on behalf of Public Counsel showing that programs designed to make

1 utility service more affordable have resulted in both improved payment performance by
2 those participating in the program as well as reductions in the costs of disconnection and
3 other related activities. These findings were based on actual programs implemented in a
4 variety of states.

5 Q. Aside from these direct impacts on the costs paid by other utility customers, are there
6 studies which demonstrate the value of energy assistance to society as a whole?

7 A. Yes, there are a number of credible studies that demonstrate the societal costs imposed
8 due to the inability of households to afford heating services. These costs include, among
9 others, increases in housing abandonments, increases in the number of clinically
10 underweight children to poor educational achievement on the part of children. All of
11 these studies show that there are other societal costs incurred when household energy is
12 not affordable and inadequate assistance funding exists. Therefore, efforts to assist poor
13 households benefit all of Laclede's ratepayers.

14 **Laclede's Other Efforts to Assist Customers**

15 Q. You previously mentioned that the Catch-Up/Keep-Up Program is simply one component
16 of the Company's efforts to assist its low-income customers. Can you briefly describe
17 the other efforts the Company has undertaken in this regard?

18 A. Yes. Laclede has made numerous efforts over the years to assist its low-income
19 customers in ways that go beyond what it is required to do under the Commission's Cold
20 Weather Rule. Subsequent to the winter of 2000-2001 when wholesale prices spiked,
21 Laclede voluntarily initiated a Catch-Up Program that essentially gave its customers the
22 relaxed payment benefits of the Cold Weather Rule well before the beginning of the
23 winter heating season when the Rule normally applies. The Company was also among

1 the first Missouri utilities to implement the Emergency Amendments to the Cold Weather
2 Rule during the winter of 2001-2002. In addition, Laclede has in the past and is currently
3 going beyond the strict requirements of the Commission's Cold Weather Rule in an effort
4 to help customers restore their service.

5 Q. How does Laclede go beyond the strict requirements of the Cold Weather Rule?

6 A. Under 4 CSR 240-13.055(8)(C)(2) of the Commission's Cold Weather Rule, where a
7 customer has defaulted under a Cold Weather Rule payment plan, the Company has a
8 right to require an initial payment equal to the total of all of the delinquent installments
9 before restoring service. As a matter of policy, however, Laclede is restoring service
10 upon payment of 50% of the delinquent payments, if such amount is less than \$1000, or
11 the entire amount of the delinquent payments less \$500, if such amount is greater than
12 \$1000 – terms that are significantly more favorable to customers as a whole than what
13 would be the case in the event all delinquent payments were demanded. These and other
14 policies have and continue to represent a significant financial contribution on the
15 Company's part to helping its low-income customers – a contribution that over the years
16 has amounted to millions of dollars in unrecovered expenditures.

17 Q. Has Laclede also been active in pursuing other assistance for its most vulnerable
18 customers?

19 A. Yes Laclede has, for many years, assumed a significant leadership role in advocating
20 LIHEAP funding at the federal level. I have personally worked for fourteen years
21 directly with the National Fuel Funds Network ("NFFN"), the National Low Income
22 Energy Consortium ("NLIEC"), the LIHEAP Coalition and National Consumer Law
23 Center ("NCLC") in support of LIHEAP funding. Additionally, I have worked with

1 industry associations such as the American Gas Association and Associated Gas
2 Distribution Companies ("AGD") in support of LIHEAP. Laclede personnel, working
3 with Sister Patricia Kelley, helped found NFFN in 1984, and have been a part of the
4 organization for the last eighteen years, including various leadership roles. NFFN, with
5 assistance from Laclede, has annually submitted oral and written testimony in support of
6 LIHEAP funding before relevant Congressional committees for the last fifteen years.

7 Laclede has been widely recognized and praised for its efforts in support of
8 LIHEAP as exemplified by the 1994 NFFN Sister Patricia Kelley Achievement Award
9 and the Human Development Corporation's 1990 Humanitarian Award. In addition, I
10 have personally made presentations on energy assistance issues and needs before almost
11 all of the above organizations' national conferences, as well as testified before
12 Congressional and Missouri House and Senate committees. In March 2000, I presented
13 the American Gas Association's oral testimony in support of LIHEAP before the U. S.
14 House Labor-HHS and Education Appropriations Subcommittee.

15 Q. Please describe Laclede's legislative efforts in support of energy assistance at the state
16 level.

17 A. For more than thirteen years, the State of Missouri has relied almost exclusively on
18 federal funds from LIHEAP to assist its low-income citizens, including many elderly and
19 disabled. However, core LIHEAP funding had been cut over the last ten years, primarily
20 due to cuts in the federal budget. The Committee to Keep Missourians Warm, of which
21 Laclede is an active founding member, along with the assistance of other parties, worked
22 for the introduction of Senate Bill 263, Missouri's UtiliCare bill. This bill was passed
23 during the 1997 session of the General Assembly. This bill expands the eligibility for

1 assistance to needy households, which, although eligible for LIHEAP, would not
2 otherwise receive assistance due to inadequate federal funding. Many members of the
3 Committee to Keep Missourians Warm and others have stated that Laclede's leadership
4 efforts was a major factor in the passage of the UtiliCare bill.

5 Q. What non-government fundraising actions has the Company taken in recent years?

6 A. The Company has, for the last several years, intensified its efforts to assist private energy
7 assistance organizations in St. Louis, to solicit small contributions from the public, and
8 raise contributions in cooperation with corporate partners through programs such as
9 Dollar-Help, which Laclede helped co-found.

10 Q. Does the Company itself provide funding and administrative support for Dollar-Help?

11 A. Yes. The Company has for many years utilized corporate contributions to help needy
12 families with their energy bills. The Company also provides all of the needed
13 administrative support for Dollar-Help to assure that all funds donated are used
14 exclusively to assist needy, low-income households.

15 Q. How much money has Dollar-Help raised?

16 A. Prior to the bill check-off program in December 1999, Dollar-Help raised about \$550,000
17 per year from all sources. After the implementation of the bill check-off and support
18 from our partners such as KMOX and the Rams, public contributions are currently being
19 received at an annualized rate of \$800,000 and increasing. Since the Program's inception
20 to date, Dollar-Help has raised almost \$10 million. The Program assisted about 3,100
21 families this past year. In total, Dollar-Help has assisted over 43,000 needy families
22 since its inception.

1 Q. What other energy assistance programs has the Company initiated or participated in
2 which assist low-income customers?

3 A. Laclede has voluntarily initiated several programs to assist low-income customers such as
4 the EnergySmart Programs which include the Customer Assistance Program ("CAP") and
5 Customer Education Program ("CEP"), as well as the WeatherWise Program. Both
6 programs, EnergySmart and WeatherWise, have won industry awards or recognition for
7 their design and service delivery.

8 Q. Please briefly describe the EnergySmart Programs.

9 A. CAP was initiated in 1996 in an effort to identify particularly vulnerable customers who
10 received energy assistance the previous year, but whose gas service was not active at the
11 start of the Missouri Cold Weather Rule period. The purpose of this program is to be
12 proactive in an attempt to avoid winter tragedies. After the above households have been
13 identified, Laclede's meter reading personnel, while on their regular routes, without
14 inquiry, will make an assessment as to whether the households appear to be occupied. If
15 it appears that the households are occupied, Laclede's Community Services Department
16 will coordinate efforts to get information about available energy assistance to the
17 households and assist where feasible in facilitating the delivery of assistance through
18 various private and public social service agencies. Additionally, customers receiving
19 collection notices are also provided with information on how to obtain energy assistance.

20 With regard to customer education, Laclede conducts workshops at various social
21 service agency sites for low-income customers. At these workshops, attendees are
22 provided with information on how they can implement various low or no-cost
23 weatherization energy conservation measures to reduce their energy usage. Workshop

1 participants are also advised that they can contact the Company when they have problems
2 paying their bills and are encouraged to do so. Additionally, during the workshops,
3 Laclede employees working with host social service agencies will attempt to obtain
4 assistance for participants whenever possible or at least initiate the assistance process.

5 Q. Will you briefly describe the WeatherWise Program?

6 A. WeatherWise, initiated in 1996, is designed to provide weatherization assistance to
7 needy, low-income elderly and handicapped households. Under the Program, Laclede
8 purchases weatherization kits for the Program and provides the tools needed to install the
9 weatherization measures. Laclede employees, family members and friends volunteer to
10 weatherize the homes of recipient households on their own time, on Saturdays in
11 October. This Program has received national awards and recognition as well as praise
12 from citizens and the local media.

13 Q. What results have been obtained as a result of the EnergySmart and WeatherWise
14 Programs?

15 A. For the 2000-01 winter, CAP provided information to 3,247 households and obtained
16 assistance funds totaling \$94,309.03. The customer education workshops beginning
17 February 1996 to date have assisted over 1,122 households and obtained assistance
18 totaling \$476,917. As a result of the WeatherWise Program, more than 600 households
19 have been weatherized over the last six years. It should be noted that all of the above
20 programs were conceived, developed and implemented voluntarily by Laclede. We are
21 not aware of a similar package of programs being implemented by any other natural gas
22 utility in the State.

1 Q. Is Laclede involved with other organizations that assist low-income persons in the energy
2 assistance and information area?

3 A. Laclede is a supporter of Energycare, a not-for-profit agency established by the late Sister
4 Patricia Kelley to help low-income households locate needed assistance as well as
5 provide energy education and assistance services. Laclede is also a member of Operation
6 Weather Survival ("OWS"). OWS' membership consists of representatives of local
7 government, utilities, not-for-profit agencies and others. OWS was formed to develop a
8 comprehensive network of energy experts to disseminate vital information in weather
9 emergencies to avoid tragedies. OWS was asked to assist the City of Chicago in
10 developing a similar program in the aftermath of the 1995 heat disaster and related
11 deaths. Laclede's Manager of Community Services chairs the OWS Cold Weather
12 Committee.

13 Q. Does Laclede offer energy service programs that benefit its non-low-income customers?

14 A. Yes. Since 1981 the Company has operated its Residential Insulation Financing
15 Program, which is available to all customers regardless of income. This Program
16 provides low-interest loans to qualified customers to insulate their homes with payment
17 terms of up to seven and one-half years. To date, the Program has made 9,231 loans
18 totaling over \$11 million. In October 1995, Laclede initiated the EnergyWise Dealer
19 Program which provides financing, through authorized HVAC contractors, for the
20 purchase and installation of energy-efficient natural gas heating and gas or electric
21 cooling equipment and other natural gas appliances. Since the Program's inception, a
22 total of 2,493 loans totaling \$10,359,000 have been made.

23 Q. Are Laclede and its employees engaged in other activities designed to benefit the region?

1 A. Laclede and its employees have a long history of both volunteer and funding support for
2 area not-for-profit organizations established to benefit the community at large. Examples
3 of such organizations include: United Way of Greater St. Louis, Arts & Education
4 Council, March of Dimes, Boy Scouts, YMCA, Junior Achievement, various local
5 college and university boards of trustees, Regional Chamber and Growth Association,
6 Children's Hospital, United Cerebral Palsy and many more. Additionally, the boards I
7 personally serve on include the following: The College Fund/UNCF, St. Louis 2004
8 (Chair/Co-Chair Committee), Junior Achievement, and Urban League. I recently (2001)
9 ended my terms on the Board of Trustees at St. Louis University (12 years) and Salvation
10 Army (7 years).

11 Additionally, Laclede, in FY 2001 raised over \$307,495 in employee donations,
12 excluding donations from the Laclede Charitable Trust. Of the \$641,695 in total
13 donations to the United Way, at least 20-25 percent was spent on what we classify as
14 human needs and services to organizations such as the Arthritis Foundation, March of
15 Dimes, etc. These efforts represent just three examples of Laclede's community
16 leadership. Also, Laclede personnel have held leadership roles in most of the
17 organizations listed previously.

18 Q. Has the Company looked at ways to sustain employee community involvement and,
19 where possible, increase these efforts?

20 A. The Company has implemented a special grant program to recognize employees who
21 volunteer to assist key community charities the Company also supports. Employees who
22 participate can direct a small Company funded grant to a 501(C)(3) charity of the

1 employee's choice, provided the charity meets certain basic guidelines. Through these
2 programs local charities can benefit twice rather than just once from our employees' efforts.

3 Q. Please summarize your testimony.

4 A. In my opinion, the above testimony clearly illustrates the Company's willingness to
5 exercise leadership in the community for the benefit of all its customers. Many of the
6 efforts were initiated by the Company because an important community need existed. I
7 believe the Catch-Up/Keep-Up Program proposed by the Company in this case also
8 represents a critical and meaningful step that both it and the Commission can take
9 together to continue this long-standing effort to serve the fundamental needs of the
10 Company's customers.

11 Q. Does this conclude your testimony?

12 A. Yes, it does.

**P.S.C. MO. No. 5 Consolidated, Original Sheet No. 28-h
CANCELLING All Previous Schedules.**

Schedule JM-1

Page 1 of 4

Laclede Gas Company

Name of Issuing Corporation or Municipality

For

Refer to Sheet No. 1

Community, Town or City

SCHEDULE OF RATES

H. Experimental Low-Income Bill Stabilization and Assistance Program

1. Description and Purpose - Subject to the terms and conditions of this tariff, the Company shall implement an experimental low income bill stabilization and assistance program called the Catch-up/Keep-up Program (the "Program") for eligible, low-income customers upon the effective date of this tariff. The purpose of the Program is to assist eligible, low-income customers, through financial assistance, conservation, and education in managing their energy bills in a manner that will provide them with an opportunity to eliminate their arrearages for natural gas service over time, ensure their continued access to natural gas service under manageable terms, and ultimately reduce the level of uncollectibles experienced by the Company for the benefit of all customers. To that end, the Program will work in partnership with Dollar-Help and social service agencies that customarily distribute governmental sources of low-income energy assistance (the "Agencies") to provide eligible customers with grants that will be applied to reduce their arrearages as measured on the date they first entered the Program. In order to receive such grants, customers must agree to apply for other forms of energy assistance for which they may be eligible, make timely and full payments of their current charges for natural gas service which will be computed on a twelve (12) month levelized basis in accordance with the Company's budget billing procedures, unless prevented from doing so by extenuating circumstances, and agree to implement any available, cost free energy conservation measures.

2. Program Funding - An amount equal to thirty percent (30%), up to an annual cap of Six Million Dollars (\$6,000,000), of the discounts achieved by the Company from the maximum, year round, firm transportation and storage rates charged by its interstate and intrastate pipeline suppliers during the 2001/2002 Actual Cost Adjustment ("ACA") period and each subsequent ACA period thereafter shall be used to fund the Program (the "Program Funds"). Such amounts shall be deposited in a separate escrow account as they are reflected in the Company's ACA in accordance with Section 4 and shall be used, together with any interest net of applicable taxes, solely to fund the Program. The Program shall be administered pursuant to written contracts between Laclede, Dollar-Help and the Agencies.

3. Terms and Conditions - The written contracts executed to administer the Program shall be subject to review by Staff and the Office of the Public Counsel and shall provide that the Program Funds be disbursed upon the following terms and conditions:

DATE OF ISSUE

September 23, 2002

Month Day Year

DATE EFFECTIVE

October 24, 2002

Month Day Year

ISSUED BY

John Moten, Jr.

Senior Vice President,

720 Olive St.,

St. Louis, MO 63101

Name of Officer

Title

Address

P.S.C. MO. No. 5 Consolidated, Original Sheet No. 28-i
CANCELLING All Previous Schedules.

Schedule JM-1

Page 2 of 4

Laclede Gas Company

Name of Issuing Corporation or Municipality

For

Refer to Sheet No. 1

Community, Town or City

SCHEDULE OF RATES

H. Experimental Low-Income Bill Stabilization and Assistance Program (continued)

a. All Program Funds shall be dedicated to reducing the natural gas service arrearages and energy consumption of residential customers receiving service from the Company in St. Louis City and the surrounding counties of St. Louis, St. Charles, Crawford, Jefferson, Franklin, Iron, Ste. Genevieve, St. Francois, Madison and Butler in Eastern Missouri. The disbursement of such Program Funds shall be coordinated with Dollar-Help and the Agencies. Measures shall be taken to ensure that the assistance made available through such Program Funds is provided on behalf of residential customers residing in households with income less than or equal to one hundred and seventy five percent (175%) of the federal poverty level, provided that the income threshold for eligibility may be raised in the event and to the extent Program Funds remain available after satisfying those customers with incomes at or below the threshold. Measures shall also be taken to ensure, to the extent practical, that the use of such Program Funds does not result in any material reduction in the share of state and federal energy assistance that the Company would otherwise expect to receive on behalf of its customers.

b. The total amount of Program Funds distributed on behalf of any single household for any quarterly period shall not exceed three-hundred and seventy five dollars (\$375).

c. To qualify for such quarterly payments, the customer receiving the assistance or other household member must, unless otherwise prevented from doing so due to extenuating circumstances:

- i. First apply for other forms of energy assistance for which the customer may be eligible, which energy assistance shall be applied in determining whether the customer has satisfied the payment obligations hereunder;
- ii. have, after entering the Program, made three consecutive timely and full payments (including the initial payment) of the customer's current estimated charges for natural gas service, which payments shall be computed on a 12-month levelized basis in accordance with the Company's budget billing procedures;
- iii. not break a previous payment agreement entered into under the Program; and
- iv. agree to review and implement, where feasible, a submitted list of standard, cost-free energy conservation measures designed to reduce the customer's consumption of energy.

DATE OF ISSUE

September 23, 2002

Month Day Year

DATE EFFECTIVE

October 24, 2002

Month Day Year

ISSUED BY

John Moten, Jr.,

Senior Vice President,

720 Olive St.,

St. Louis, MO 63101

Name of Officer

Title

Address

P.S.C. MO. No. 5 Consolidated, Original Sheet No. 28-j
CANCELLING All Previous Schedules.

Schedule JM-1

Page 3 of 4

Laclede Gas Company

Name of Issuing Corporation or Municipality

For

Refer to Sheet No. 1

Community, Town or City

SCHEDULE OF RATES

H. Experimental Low-Income Bill Stabilization and Assistance Program (continued)

d. The Company shall, to the extent reasonably practical and if requested by the Customer, provide a delayed payment date if required to accommodate the customer's income schedule.

e. Program Funds will not be used for administrative purposes except those incurred by third parties to advise customers of, and implement, energy conservation/weatherization measures, monitor steps taken by customers to implement such measures, and perform customer outreach, intake, and bill payment counseling activities. The total amount expended on such measures shall not exceed Six Hundred Thousand Dollars (\$600,000) per Program year. The Company will cooperate with the Staff, the Office of the Public Counsel, Dollar-Help, the Agencies and the Department of Natural Resources to develop and submit such measures to the Commission for its approval within sixty (60) days of the effective date of this Tariff.

f. With the assistance of Dollar-Help and the Agencies, the Company shall submit an annual report on the Program to the Staff and the Office of the Public Counsel within sixty (60) days of the conclusion of each year of the Program. Each annual report, which shall be subject to audit by Staff and Public Counsel, will include the following information:

- i. Total amount of Program Funds expended during the preceding year of the Program.
- ii. Total number of customers receiving energy assistance as a result of the Program during the preceding year of the Program.
- iii. Average amount of energy assistance received by customers under the Program.
- iv. Amount of administrative funds spent on energy conservation/weatherization, customer outreach and bill payment counseling efforts.
- v. To the extent available, information detailing the impact of the Program on reducing customer arrearages, encouraging conservation, and lessening uncollectible expense.

DATE OF ISSUE September 23, 2002
Month Day Year

DATE EFFECTIVE October 24, 2002
Month Day Year

ISSUED BY John Moten, Jr., Senior Vice President, 720 Olive St., St. Louis, MO 63101
Name of Officer Title Address

P.S.C. MO. No. 5 Consolidated, Original Sheet No. 28-k
CANCELLING All Previous Schedules.

Schedule JM-1

Page 4 of 4

Laclede Gas Company

Name of Issuing Corporation or Municipality

For

Refer to Sheet No. 1

Community, Town or City

SCHEDULE OF RATES

H. Experimental Low-Income Bill Stabilization and Assistance Program (continued)

g. If and at such time as this Program terminates, any Program Funds that remain unused and uncommitted at the end of the twelve month period following termination shall be credited to the Company's Deferred Purchased Gas Cost Account and flowed through to all firm sales customers under the Company's Purchased Gas Adjustment Clause.

4. Accounting - The Company shall debit the Low-Income Funding ("LIF") Account and credit the Low-Income Deferred Credit Account with 30% of the discounts it achieves up to an annual cap of Six Million Dollars (\$6,000,000). The debits to the LIF Account shall be allocated to firm sales customers. For each ACA year, the debits recorded in the LIF Account including any remaining balance from the previous year shall be accumulated to produce a cumulative LIF balance. For purposes of computing new ACA factors for the subsequent twelve-month period beginning with the effective date of the Winter PGA, such cumulative LIF balance shall be combined with the appropriate Deferred Purchased Gas Costs Account balances. The Company shall separately record that portion of ACA revenue recovery which is attributable to recovery of the LIF balance. Any remaining LIF balance shall be reflected in the subsequent ACA computations.

5. Rights of Parties - The Company, Staff and Public Counsel shall be free in any future complaint case or rate case proceeding to propose prospective elimination of, or modifications to, the Program to be effective at the time new base rates are established and without any burden of proof or presumption applying to the determination of whether the Program, or an alternative program, should be approved by the Commission.

DATE OF ISSUE	September 23, 2002	DATE EFFECTIVE	October 24, 2002
	Month Day Year		Month Day Year
ISSUED BY	John Moten, Jr.,	Senior Vice President,	720 Olive St., St. Louis, MO 63101
	Name of Officer	Title	Address