

Exhibit No.:
Issues: Cash Working Capital
Witness: MARK D. GRIGGS
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: GR-99-315

FILED³

AUG 19 1999

Missouri Public
Service Commission

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

MARK D. GRIGGS

LACLEDE GAS COMPANY

CASE NO. GR-99-315

Jefferson City, Missouri
August, 1999

OF

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A. No. The 21.07 day collection lag reflects the Staff's calculation based on a sample first pulled and calculated in Laclede Gas Company Case No. GR-96-193. This lag was used in Case No. GR-98-374 because of time considerations. The Staff's

1 reconciliation reflecting the settlement in Case No. GR-96-193 contained a collection lag
2 of 21.07 days. The Staff's proposal in the instant case is 25.4 days based upon the
3 Company's computation of a sample pulled in Case No. GR-98-374.

4 Q. On page four, Mr. Buck states that he has "concerns" the Staff's sample
5 does not adequately represent Laclede's customer base. Has the Company provided the
6 Staff with any calculations showing that the sample is not statistically significant?

7 A. No. The Company has not shown that the sample used by the Staff to
8 determine the collection lag is not statistically significant, nor has the Company
9 suggested a sample size that would be more appropriate.

10 Q. Are there any indications that the sample size and methods used by the
11 Staff are providing consistent results regarding the determination of the collection lag?

12 A. Yes. The results obtained from samples in Case Nos. GR-96-193 and
13 GR-94-220 are far closer to the 25.4 days proposed by the Staff than the 34.8 days
14 proposed by the Company. In Case No. GR-96-193, a sample of 300 residential and
15 commercial/small industrial customers produced a collection lag of 21.07 days.
16 Similarly, two samples, each composed of 100 residential and 100 commercial/small
17 industrial customers, weighted by revenues, produced collection lags of 21.3 and 23.62
18 days, respectively, in Case No. GR-94-220. If the Staff's method of calculation and
19 sample size were inappropriate, it would seem unlikely that similar results would be
20 obtained each time a sample is analyzed using different customers and time periods.

21 Q. On page five of his rebuttal testimony, Mr. Buck notes that in the Staff's
22 sample, budget billing customers make up 29.5% of the total, while the percentage of
23 budget billing customers in the total population is 23.5%. What is the impact of this

1 difference on the sample?

2 A. Based on the percentages identified by Mr. Buck, the sample should contain
3 approximately 20% fewer budget billing customers than the level currently contained in
4 the sample. Thus, reducing the weight of each budget billing customer by 20% provides
5 a reasonable estimate of the impact of the alleged excess number of budget billing
6 customers. When the weight of each budget customer is so reduced, the collection lag
7 produced is 25.8 days, a difference of only .4 days. Thus, this alleged overrepresentation
8 of budget billing customers in the sample had only a minimal impact on the results
9 obtained.

10 Q. On page five of his rebuttal testimony, Mr. Buck states that the Staff's
11 customer sample contained a disproportionately large number of commercial customers.
12 Did these excess commercial customers significantly affect the results obtained from the
13 customer sample?

14 A. No. The company provided the Staff with a list of the commercial
15 customers contained in the sample. Based upon this list, the Staff performed a
16 calculation to lessen the impact of these customers on the results obtained from the
17 sample. The Staff reduced the weighting of these customers by half, which resulted in a
18 collection lag of 25.8 days, a change of only .4 days. Clearly, the alleged
19 overrepresentation of this class of customers did not have a significant impact on the
20 results obtained from the customer sample. When a calculation was performed to lessen
21 the impact of these customers, the impact on the resulting collection lag was minimal.

22 Q. On page five of his rebuttal testimony, Mr. Buck suggests that "locational
23 demographics (i.e., St. Louis City and County versus St. Charles versus Midwest versus

1 Missouri Natural customers)" of the customer sample used by the Staff could introduce
2 bias to the sample. Has the Company offered any support for this statement?

3 A. No, the Company has not demonstrated that the sample is biased by
4 geographic location. Additionally, the Company did not provide evidence that indicates
5 that customers pay differently based upon the area of Laclede's service territory in which
6 they live in its response to Staff Data Request 190 in Case No. GR-98-374 or Staff Data
7 Request 203 in the instant case, both of which asked for any such studies.

8 Q. On page five of his rebuttal testimony, Mr. Buck concedes that the Staff's
9 sample contains the appropriate level of Cold Weather Rule Customers, but contends
10 that, among these customers, there is not an appropriate relationship between customers
11 that receive Heat Grants and those that do not. Has the Company identified an
12 appropriate level of Heat Grant Customers or quantified the effects of an inappropriate
13 relationship between Heat Grant and non-Heat Grant customers?

14 A. No, the Company has not identified the appropriate level of Heat Grant
15 customers, nor has it quantified the effect on the collection lag of the relationship
16 between Heat Grant and non-Heat Grant customers. In order to determine the impact of
17 Cold Weather Rule customers, the Staff eliminated these customers entirely from the
18 sample. This had the effect of reducing the overall collection lag to 22.3 days, a
19 reduction of 3.1 days. Cold Weather Rule customers had a cumulative collection lag of
20 84.7 days. Furthermore, the impact of the mismatch, if any, between these customers is
21 offset by the inclusion in the Staff's sample of approximately 64% more Cold Weather
22 Rule customers, proportionately, than are contained in the overall customer population.

23 Q. Has the Company shown that renters are underrepresented in the Sample?

1 A. No. The Company has merely alleged that because of their highly
2 mobile nature, renters are excluded from the sample because of the requirement that all
3 customers have twelve months of billing data. The Company has not shown the degree
4 to which renters are underrepresented and it has not quantified the effect of any such
5 underrepresentation on the collection lag obtained from the sample.

6 Q. Would the Staff's sample have included a customer that was disconnected
7 but had made arrangements to be reconnected and for which twelve months of billing
8 data were available?

9 A. Yes. The Staff's sample contained customers that were assessed
10 reconnection charges.

11 Q. Should the Staff's sample have included customers whose accounts were
12 uncollectible?

13 A. No. On page seven of his Rebuttal Testimony, Mr. Buck notes that the
14 Staff's sample excludes customers who do not pay their bills. The Staff believes that this
15 is the correct treatment of such customers. Including customers whose accounts are
16 uncollectible in the sample would, in effect, allow a return on bad debts, a non-cash item,
17 in cash working capital. The Company is compensated for the effect of bad debts
18 through an allowance for this item in expense.

19 Q. Please summarize your surrebuttal testimony.

20 A. Although the Company has alleged the existence of several flaws in the
21 Staff's sample, the Company has not demonstrated that any of these flaws has a
22 significant effect on the collection lag. Indeed, when the Staff attempted to compensate
23 for alleged inappropriate levels of Budget Billing and Commercial customers by reducing

1 the weighting of these customers, the effect on the collection lag in each instance was
2 only .4 days. In addition, the Staff's analysis of three separate samples in prior cases
3 produced results that were below the 25.4 days being proposed in this case.

4 Q. Does this conclude your testimony?

5 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

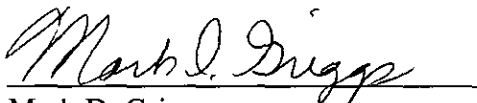
OF THE STATE OF MISSOURI

In the Matter of)
Laclede Gas Company's Tariff) Case No. GR-99-315
to Revise Natural Gas Rate Schedules.)

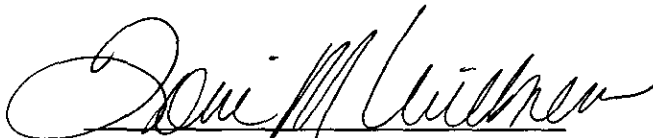
AFFIDAVIT OF MARK D. GRIGGS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Mark D. Griggs, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 6 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


Mark D. Griggs

Subscribed and sworn to before me this 18th day of August 1999.



Toni M. Willmeno
Notary Public, State of Missouri
County of Callaway
My Commission Expires June 24, 2000

