

Exhibit No.:
Issues: *Appliance Service Work*
Witness: *ARLENE S. WESTERFIELD*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *GR-99-315*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

ARLENE S. WESTERFIELD

FILED

AUG 19 1999

**Missouri Public
Service Commission**

LACLEDE GAS COMPANY

CASE NO. GR-99-315

Jefferson City, Missouri
August, 1999

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1 rebuttal testimony, and the Staff will additionally respond to specific comments by
2 Ms. Krieger.

3 Q. Doesn't Company witness Ms. Krieger state that the Company is following
4 the statutory requirement of the HVAC Services Act found at Section 386.756
5 (RSMo. Supp. 1998) by removing all revenues and costs associated with HVAC service
6 work that the Company would not have received or incurred had the Company not been
7 engaged in HVAC service work during the test year?

8 A. Yes. The Staff would agree with that basic philosophy if all revenues and
9 costs were included in the adjustment. However, this is not the case.

10 Q. Ms. Krieger reasons that there should be no cross-subsidy, i.e., changing
11 the rates or charges for the utility's regulated services above or below the rates or charges
12 that would be in effect if the utility were not engaged in such activities. Do you agree?

13 A. Yes. However, the Staff believes that her reasoning is flawed because the
14 actual level of cost associated with appliance service work has not been totally identified.
15 The Staff believes that an identification of the total cost would show that there is a cross-
16 subsidy to the detriment of ratepayers.

17 Q. Doesn't Ms. Krieger say in her testimony that her adjustment effectively
18 removes all of the revenues and all of the costs related to these activities?

19 A. Yes, she does. However, as indicated in my rebuttal testimony, the
20 Company has not provided sufficient detail in their books and records for the Staff to
21 determine all of the costs associated with appliance service work. Additionally, Laclede
22 has not calculated the appliance service work costs on a fully distributed cost basis.

1 Q. Doesn't Ms. Krieger state that the fully distributed cost standard adopted
2 by the Commission should only be applied to a separate affiliate that uses the assets of a
3 utility to engage in HVAC services?


4 A. Yes, she does. However, the Staff believes the same standard should also
5 be applied for those activities referred to by Ms. Krieger as "in house." By applying a
6 different standard to these activities the ratepayer is providing the cross-subsidization the
7 Company says it is avoiding by making this adjustment.

8 Q. What is your response to Ms. Krieger statement that the Staff by failing to
9 remove the excess revenues has decreased the Company's rates by \$600,000?

10 A. The Staff agrees that this is the amount of the adjustment made by the
11 Company in this case. However, the Staff cannot accept this adjustment without being
12 assured that the proper amount of appliance service work costs were included in this
13 adjustment. Since the Company has admitted that its calculation was performed on an
14 incremental rather than a fully distributed basis, the proper amount of appliance service
15 work costs have not been eliminated from the cost of service through Laclede's
16 adjustment.

17 Q. Does this conclude your surrebuttal testimony?

18 A. Yes, it does.


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