

Exhibit No.:  
Issues: Large Customer  
Normalization and Low  
Income  
  
Witness: Anne Ross  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Direct Testimony  
Case No.: GR-2007-0208  
Date Testimony Prepared: May 4, 2007

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**DIRECT TESTIMONY**

**OF**

**ANNE ROSS**

**LACLEDE GAS COMPANY**

**CASE NO. GR-2007-0208**

**Jefferson City, Missouri  
May 2007**

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

In the Matter of Laclede Gas Company's )  
Tariff to Revise Natural Gas Rate )  
Schedules )

Case No. GR-2007-0208

**AFFIDAVIT OF ANNE ROSS**

STATE OF MISSOURI     )  
                                  ) ss  
COUNTY OF COLE     )

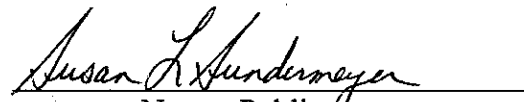
Anne Ross, of lawful age, on her oath states: that she has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 8 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.

  
Anne Ross

Subscribed and sworn to before me this 3<sup>rd</sup> day of May, 2007.



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #08942088

  
Notary Public

My commission expires 9-21-10

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**DIRECT TESTIMONY**

**OF**

**ANNE ROSS**

**LACLEDE GAS COMPANY**

**CASE NO. GR-2007-0208**

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Direct Testimony of  
Anne Ross

1 Large Volume Transportation and Sales Service (LVTSS) and Large Volume Service (LVS)  
2 rate classes. These adjustments were made to recognize the:

- 3 a. Annualization of monthly billing demand to levels more likely to be seen
- 4 on a going-forward basis; and
- 5 b. Weather Normalization of Large customer volumes.
- 6

7 The revenue adjustments were provided to Staff witness Kim Bolin of the Commission's  
8 Auditing Department. The volume and demand term adjustments were also used in the  
9 calculation of normalized billing units.

10 In addition, I am making an adjustment of \$950,000 to remove the revenues being  
11 collected for Laclede's Low-Income Energy Affordability Program from Laclede's revenue  
12 requirement and an adjustment of \$200,000 to continue the Arrearage Repayment  
13 Management program payments to current participants..

14 **ADJUSTMENT OF LVTSS AND LVS RATE REVENUES**

15 Q. Please describe the adjustment made to demand terms and revenues of  
16 LVTSS and LVS rate classes.

17 A. Laclede's tariffs use the maximum of a base level or the highest billing  
18 demand in the previous 11 months to calculate the billing demand charge for large customers.  
19 Therefore, I adjusted each customer's actual test year monthly billing demand term level to  
20 a level that more accurately reflects the level of expected billing demand on a going-forward  
21 basis. My billing demand adjustment is identical to Laclede witness Patricia Krieger's  
22 adjustment.

23 Q. Please describe the adjustment made to weather normalize these large  
24 customers.

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1           A.     Using information provided in response to Staff Data Request 129, I compared  
2     the billing units with those on reports used to develop the Staff's current revenues, and found  
3     them to be almost identical. I then looked at each individual customer's monthly usage in the  
4     test year, and adjusted the monthly distribution of therm volumes whenever I saw what  
5     appeared to be misbills and rebills. This did not affect the Company's rate revenues. After  
6     Staff witness Michael J. Ensrud provided the Staff's adjustments for rate switching and  
7     changes for customer loads, I weather-normalization the usage of the customers in the  
8     LVTSS and LVS rate classes.

9           **REVENUE ADJUSTMENT TO REMOVE \$950,000 REVENUE REQUIREMENT**  
10          **ASSOCIATED WITH THE LOW-INCOME ENERGY AFFORDABILITY**  
11                   **PROGRAM**

12          Q.     What is the Low-Income Energy Affordability Program?

13          A.     This program was established in the previous Laclede rate case, GR-2005-  
14     0284. The program has two parts – a \$550,000 Winter Bill Assistance Program (Bill Credit  
15     Program), which provides bill credits to eligible low-income households during the  
16     November-April time period, and a \$350,000 Arrearage Repayment Management (ARM)  
17     Program, in which a participant's agreed-upon monthly arrearage repayment amount is  
18     matched dollar for dollar by the fund. There are other criteria for participation in the two  
19     programs, parameters as to the amount of funds available to various income level groups, etc,  
20     and this will be discussed more fully in my testimony on rate design. In Attachment 4 of the  
21     Commission approved Stipulation and Agreement in Case No. GR-2005-0284, Laclede  
22     committed to providing a great deal of information to Staff so that the program could be  
23     evaluated.

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1 Q. What is the purpose of the program?

2 A. The purpose of the program is to determine whether this method of providing  
3 bill credits and/or arrearage repayment matching will increase both the incentive and ability  
4 of low-income households to pay their energy bill. It was expected that this would not only  
5 benefit the household receiving the assistance, but also benefit all residential and general  
6 service customers by decreasing the level of uncollectible accounts and expenses associated  
7 with Laclede's collection activities. This should result in lower costs being included in the  
8 rates of the other customers.

9 Q. Why does Staff believe that it is appropriate to remove the costs of the Low-  
10 Income Energy Affordability program from Laclede's revenue requirement in this case?

11 A. Staff has serious doubts that the program is being offered or implemented in a  
12 way that achieves program goals and ultimately benefits the general body of ratepayers who  
13 are contributing the funds for the program.

14 Q. What is the concern that Staff has about the program?

15 A. The major concern is that, in the past month, Staff has received conflicting  
16 information about the success of the program. In two separate meeting in April, Laclede told  
17 Staff that the program had a significant amount of unspent funds; however, a data request  
18 response received on May 2, 2007, indicates that almost all of the funds have been spent.  
19 According to the response to Staff Data Request 229, 63% of the total Winter Bill Payment  
20 Assistance program funds, which have been dispersed since the program's inception, were  
21 spent in January, February and March of this year.

22 Q. At what times was Staff informed that there was a significant amount of  
23 unspent funds in the program coffers?

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1           A.     At an April 4, 2007 meeting that was attended by several members of Staff,  
2     Laclede indicated that approximately \$300,000 to \$400,000 of the funds collected since the  
3     program's inception had been used for bill credits and arrearage matching. In that meeting,  
4     Laclede suggested various changes to the program that would result in the remaining funds  
5     being spent quickly.

6           At another meeting in mid-April, Laclede again expressed concerns about the amount  
7     of funds remaining in the program.

8           Q.     What is Laclede's position regarding the unspent funds at the time that you  
9     filed this testimony?

10          A.     On May 2, 2007, just two days before this testimony was due to be filed, Staff  
11     received the response of Laclede to Staff Data Request No. 229, which directly contradicted  
12     assertions made in earlier meetings with the Staff. According to the data request response,  
13     which has been included as Schedule 2, around \$1,275,000 has been collected from  
14     customers through March of this year, and approximately \$900,000 of that has been spent.  
15     Staff is concerned that the amount spent providing bill credits to customers doubled from  
16     January to February of this year, then rose another 60% between February and March. Even  
17     though all supporting information was requested in the data request, Laclede's response did  
18     not include any supporting documentation for these numbers.

19          Q.     Have you received information about this program that is contradictory to this  
20     Data Request response?

21          A.     Yes, I have. At the time of the April 4 meeting, Staff was informed by a  
22     representative of the Community Action Agency administering the program that the program



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1 was not achieving its goals – that quite a few participants were unable to remain on the Bill  
2 Credit program. A specific number was not provided.

3 Q. Did this representative have any suggestions for changes to the program?

4 A. This representative noted that one problem seemed to be with the program  
5 parameters; specifically the requirement that the customer NOT be allowed to budget bill  
6 while participating in the program. It was also suggested that the amount of the bill credits  
7 was not sufficient to enable the customers to pay their bill in full, which was required in order  
8 to remain on the program.

9 Q. What is the annual level of bill credits available to program participants?

10 A. Participants can receive either \$360 or \$420 annually, depending on the  
11 household's income level.

12 Q. What is Staff's recommendation regarding this program?

13 A. As a result of the contradictory evidence that Staff has received about this  
14 program, Staff is extremely concerned that program funds are not being used in a way that  
15 provides a lasting benefit to participants or the other ratepayers. Laclede provided the  
16 information agreed-upon in the Stipulation and Agreement (for the September, 2005 –  
17 October, 2006 time period) to evaluate the program in late April. Until and unless complete  
18 and accurate information is provided with sufficient documentation, and Staff has had an  
19 opportunity to carefully examine the information and have all questions fully answered, Staff  
20 is reluctant to make substantive changes in a hurried manner to the program; nor is Staff  
21 willing to compel the other ratepayers to continue to pay for this program until it has been  
22 thoroughly examined. Therefore, I am sponsoring an adjustment to remove the \$950,000  
23 program funds from Laclede's revenue requirement.

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1 Q. What will be the effect on current Bill Credit Program participants if the  
2 program funds are terminated?

3 A. There won't be an immediate effect on these participants, since the bill credits  
4 are provided November-April. That will give the Commission time to decide if the program  
5 will be continued in any form, and who should pay for it. I will discuss Staff's position in my  
6 rate design direct testimony filed May 18, 2007.

7 Q. How will this adjustment affect customers currently participating in the  
8 Arrearage Management Program?

9 A. Customers participating in the Arrearage Repayment Management will no  
10 longer have their agreed-upon arrearage payments matched by the fund.

11 **REVENUE ADJUSTMENT TO INCREASE REVENUE REQUIREMENT BY**  
12 **\$200,000 FOR CONTINUATION OF ARM PROGRAM PAYMENTS TO EXISTING**  
13 **PROGRAM PARTICIPANTS**

14 Q. Do you have a proposal regarding funds for the Arrearage Repayment  
15 Management program on a going-forward basis?

16 A. Yes, I do. At the very least, Staff believes that there should be an amount  
17 available for the ARM to provide arrearage matching for the customers who are currently  
18 participating in the program; therefore, I propose that the ARM program be continued for  
19 customers currently on the program, and have proposed an annual adjustment of \$200,000 to  
20 cover Laclede's obligation to these customers.

21 Q. How was the level of \$200,000 calculated?

22 A. Using the information on Schedule 2, I calculated an average monthly amount  
23 that had been disbursed in the April, 2006 – March, 2007 time frame. I multiplied that by 12,

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1 and then added 3 months of the average program funds spent in the past year as a cushion.

2 The calculation is shown on the bottom of Schedule 2. This should be sufficient to continue

3 the program for customers currently participating successfully in the ARM.

4 Q. Does this conclude your direct testimony regarding Laclede's revenue  
5 requirement?

6 A. Yes, it does.

## CASES FILED BEFORE MO PUBLIC SERVICE COMMISSION

<u>CASE NO.</u>	<u>COMPANY</u>
GR-90-50	Kansas Power and Light
GR-90-120	Laclede Gas Company
GR-90-152	Associated Natural Gas
GR-90-198	Missouri Public Service Gas
GR-91-249	United Cities Gas Company
GR-91-291	Kansas Power and Light
GR-92-165	Laclede Gas Company
GR-93-42	St. Joseph Light and Power - Gas
GR-93-47	United Cities Gas Company
GR-93-172	Missouri Public Service Gas
GR-93-240	Western Resources
GR-94-0220	Laclede Gas Company
GA-94-0127	Tartan Energy Company
GR-95-0160	United Cities Gas Company
GR-96-0193	Laclede Gas Company
GR-96-0285	Missouri Gas Energy
GR-99-0042	St. Joseph Light and Power - Gas
GR-2002-0356	Laclede Gas Company
GR-2003-517	AmerenUE - Gas
GR-2004-0072	Aquila Networks - Gas
GR-2004-0209	Missouri Gas Energy
GR-2005-0284	Laclede Gas Company
GR-2006-0387	Atmos Energy Corporation
GR-2006-0422	Missouri Gas Energy
GR-2007-0003	AmerenUE – Gas

**LACLEDE GAS COMPANY**  
**GR-2007-0208**

Response to Staff Data Request No. 229

	#1 Low-Income Funds Accrued	#2 Total Bill Credits	#3a Arrearage Credits	#3b Bill Credit	#3c Arrearages Paid By Participants	#4 Admin Exp Low Income
Acct #	253400		509090	509080		
Nov-05	\$75,000	\$0	\$0	\$0	\$0	\$10,000
Dec-05	\$75,000	\$0	\$0	\$0	\$0	
Jan-06	\$75,000	\$0	\$0	\$0	\$0	
Feb-06	\$75,000	\$21,800	\$0	\$21,800	\$0	
Mar-06	\$75,000	\$53,605	\$605	\$53,000	\$605	
Apr-06	\$75,000	\$39,760	\$1,740	\$38,020	\$1,740	
May-06	\$75,000	\$108,278	\$98,238	\$10,040	Not Available	\$12,500
Jun-06	\$75,000	\$23,926	\$23,926	\$0	Not Available	
Jul-06	\$75,000	\$124,455	\$3,095	\$121,360	\$3,095	
Aug-06	\$75,000	\$3,605	\$3,605	\$0	\$3,605	
Sep-06	\$75,000	\$3,850	\$3,850	\$0	\$3,850	\$10,000
Oct-06	\$75,000	\$2,280	\$2,280	\$0	\$2,280	
Nov-06	\$75,000	\$31,789	\$16,109	\$15,680	Not Available	\$12,500
Dec-06	\$75,000	\$19,170	\$910	\$18,260	\$910	
Jan-07	\$75,000	\$65,835	\$675	\$65,160	\$675	
Feb-07	\$75,000	\$151,330	\$1,050	\$150,280	\$1,050	
Mar-07	\$75,000	\$252,370	\$2,920	\$249,450	\$2,920	
Total	\$1,275,000	\$902,052	\$159,002	\$743,050	\$20,730	\$45,000