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STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

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TRANSCRIPT OF PROCEEDINGS  
Stipulation and Agreement  
October 2, 1997  
Jefferson City,  
Missouri  
Volume 1

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In the Matter of the Operation )  
of Fidelity Natural Gas, ) CASE NO. GO-97-406  
Inc.'s Purchased Gas )  
Adjustment Clause. )  
  
In the Matter of the Operation )  
of Southern Missouri Gas )  
Company, L.P.'s Purchased Gas ) CASE NO. GO-97-407  
Adjustment Clause. )  
  
In the Matter of the Operation )  
of Greeley Gas Company's )  
Purchased Gas Adjustment ) CASE NO. GO-97-408  
Clause. )

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THOMAS H. LUCKENBILL, Presiding  
REGULATORY LAW JUDGE  
CONNIE MURRAY, Commission

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REPORTED BY:  
ERICA SCHULTE

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12 JAMES M. FISCHER, Attorney at Law  
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14 101 West McCarty, Suite 215  
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16 FOR: Fidelity Natural Gas, Inc.  
17 Southern Missouri Gas Company  
18 Greeley Gas Company

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P R O C E E D I N G S

(Written Entries of Appearance filed.)

(EXHIBIT NOS. 1 THROUGH 3 WERE MARKED FOR IDENTIFICATION BY THE COURT REPORTER.)

JUDGE LUCKENBILL: On the record. This is an on-the-record presentation relating to each of the stipulation and agreements filed in cases GO-97-406, 407, and 408. Case No. GO-97-406 concerns the operation of the PGA mechanism of the Fidelity Natural Gas, Incorporated.

Case GO-97-407 concerns the operation of the PGA mechanism of Southern Missouri Gas Company, L.P. And Case No. GO-97-408 concerns the operation of the PGA mechanism of Greeley Gas Company.

These three cases are consolidated for purposes of this on-the-record presentation only. At this time the Commission would receive opening statements from counsel. And please make your entries of appearance along with opening statements beginning with counsel for Fidelity Natural Gas, Incorporated, Southern Missouri Gas, L.P., and Greeley Gas Company. Mr. Fischer.

MR. FISCHER: Thank you, your Honor. May it please the Commission. My name is Jim Fischer. My address is 101 West McCarty Street, Suite 215,

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1 Jefferson City, Missouri 65101.

2 And today I'm appearing on behalf of  
3 Greeley Gas Company which is a division of Atmos  
4 Energy Corporation, Fidelity Natural Gas Company  
5 and the Southern Missouri Gas Company, L.P.

6 These three Companies are the three  
7 smallest of the gas local distribution companies  
8 that are under the regulations of the Public  
9 Service Commission. Greeley has approximately 552  
10 customers. Fidelity has approximately 800 natural  
11 gas customers. And Southern Missouri Gas Company  
12 has currently approximately 5,200 customers. I  
13 believe at the end of the last year it was closer  
14 to 3,992, but these Companies are growing, but they  
15 are among the smallest in the state -- or are the  
16 smallest in the state.

17 I also have with me today two gentlemen  
18 I'd like to introduce to the Commission, Mr. Tom  
19 Taylor who is the manager of the Southern Missouri  
20 Gas Company. And Mr. Kent Bliss who is the vice  
21 president of revenues for Fidelity Natural Gas.  
22 And if there are questions that I can't answer, I'm  
23 sure they will be able to field those too.

24 Historically these small LDC's have only  
25 filed one PGA a year. That's all they've needed to

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1 do. But whenever the Commission opened  
2 investigations into all of the other local  
3 distribution companies' PGA clauses, the Staff  
4 asked if we would be willing to also open an  
5 investigation into our PGA's as well. And as a  
6 result these dockets have occurred. But  
7 historically I think it's important to keep in mind  
8 that these companies just file once a year.

9           The Stipulations and Agreements that are  
10 before the Commission today resulted from  
11 discussions with the staff and the other members of  
12 the industry and to some extent with the Public  
13 Counsel's Office.

14           It's my understanding that these three  
15 Stipulations are generally consistent with the  
16 Stipulations and Agreements that have already been  
17 approved by the Commission for the larger LDC's in  
18 the state. The primary change that came about or  
19 is being recommended is that LDC's would file two  
20 scheduled PGA's a year. And the possibility of one  
21 additional unscheduled PGA during the winter  
22 period.

23           Greeley, Fidelity and Southern Missouri  
24 Gas Company do support these Stipulations and have  
25 signed the Stipulations and Agreements before you.

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1 But there is one issue that does need to be  
2 resolved by the Commission and that's really the  
3 reason we're here and appreciate the opportunity to  
4 present the Stipulation to you.

5 The second issue involves whether or not  
6 the LDC should be required to prorate their bills  
7 when a PGA is made. The Stipulations address that  
8 particular issue in section three. And this is the  
9 issue that needs to be resolved by the Commission.

10 Currently Greeley, Fidelity, and Southern  
11 Missouri Gas do not prorate their PGA changes.  
12 They never have. Each company has also included as  
13 an attachment to the stipulation, Attachment B,  
14 which explains the reasons why they believe it's  
15 impractical to do proration in their particular  
16 situations. For the convenience of the Bench I've  
17 handed out those reproductions of Attachment B.

18 Greeley serves two small towns in  
19 Missouri, Rich Hill and Hume, Missouri. It only  
20 has about 552 customers. Since there are a small  
21 number of customers Greeley has only had to have  
22 one billing cycle. They read everybody's meter on  
23 the same day and the bills get sent out and they're  
24 due on the same date. And Attachment B has some  
25 documentation that shows that for '96 every month

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1 they had the same meter reading dates throughout  
2 the service territory in Missouri.

3           From an administrative standpoint it would  
4 be preferable for Greeley to time the changes of  
5 the PGA rates with the timing of its meter reading,  
6 so that there wouldn't have to be any changes to  
7 their billing systems, but they could just time  
8 their changes to the extent possible with their  
9 meter reading days. And that would avoid the need  
10 to change their billing systems.

11           Fidelity and Southern Missouri Gas Company  
12 though are in a little bit different situation.  
13 They have more than one billing cycle. Fidelity  
14 has its own billing program, but its not capable of  
15 prorating bills at the present time.

16           They've estimated that a software change  
17 to permit proration would cost between 10,000 and  
18 \$15,000 for the 800 natural gas customers they  
19 serve. If my math is right, that's about 12 to \$19  
20 per customer to make that proration possible.

21           Southern Missouri Gas Company uses the  
22 billing system of Citizens Gas Fuel which is an  
23 affiliate of Southern Missouri Gas Company located  
24 in Michigan. The billing system there that is  
25 being used is also not capable of prorating bills

1 at this time.

2 When we inquired of Citizens regarding  
3 what it would take to modify their billing system  
4 to permit proration, we were informed that it would  
5 cost approximately 25,000 to \$50,000 and take  
6 several hundred hours of staff time to change the  
7 billing system and to test that billing system.

8 JUDGE LUCKENBILL: Excuse me. Just as a  
9 point of clarification, you said Citizens but you  
10 meant Southern, right?

11 MR. FISCHER: No, no. I meant Citizens.  
12 Citizens Gas Fuel is an affiliate in Michigan of  
13 Southern Missouri Gas Company.

14 JUDGE LUCKENBILL: I see. Thank you.

15 MR. FISCHER: And Southern Missouri Gas  
16 Company's bills are actually generated by this  
17 affiliate's billing system. And it's this billing  
18 system that would have to be changed if we were  
19 going to prorate.

20 JUDGE LUCKENBILL: Thank you.

21 MR. FISCHER: Whenever we inquired of what  
22 it would take to do that, kind of a modification,  
23 they said it would be between 25,000 and \$50,000  
24 plus quite a number of hours of internal staff  
25 time.

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1           In light of that substantial cost at least  
2 relative to the few customers that we had, we felt  
3 it would be preferable to use the administrative  
4 alternative that is also included in Attachment B,  
5 which my understanding is that if the Commission  
6 exempts these Companies from the requirement of  
7 prorating, then I believe the staff can support  
8 this kind of an administrative change which we're  
9 doing.

10           It's not really a change. It's the way  
11 we've been doing it in the past. And that  
12 basically is that the company will bill its  
13 customer newly effective rates only when all the  
14 service being billed is taken after the effective  
15 dates of those rates.

16           So in conclusion Greeley, Fidelity, and  
17 Southern Missouri Gas Company support the  
18 Stipulation and Agreement and would request the  
19 Commission approve that Stipulation and Agreement,  
20 but also find that they can continue their current  
21 practice of not prorating their bills when a PGA  
22 change is made.

23           Instead the Companies would like to be  
24 permitted to use the alternative of billing its  
25 customers of newly effective rates only when all

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1 the service being billed is taken after the  
2 effective day of those rates. I'd be happy to  
3 answer your questions at the appropriate time.

4 JUDGE LUCKENBILL: Mr. Schwarz?

5 MR. SCHWARZ: May it please the  
6 Commission. My name is Tim Schwarz. I'm an  
7 attorney for the staff of the Missouri Public  
8 Commission. My address is the P.O. Box 360,  
9 Jefferson City, Missouri. Also on the case with me  
10 is Penny Baker.

11 I would start by reminding the Commission  
12 that these dockets were opened back in April after  
13 the frequent and significant price changes of the  
14 last heating season had caused concern both with  
15 the staff and with the Commission and with a number  
16 of the LDC's.

17 Our objective in opening these dockets was  
18 to address what staff felt was frequent changes in  
19 PGA rates last heating season. And also to address  
20 the problems with customers being charged a rate  
21 for gas that was not in effect at the time that gas  
22 was taken.

23 There are ten LDC's in the state. We have  
24 reached settlement with six of them. Those  
25 settlements have been approved. There is one case,

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1 United Cities Gas, which has gone to hearing and  
2 which is currently under submission. And then  
3 there are the three LDC's which are before you  
4 today.

5 As Mr. Fischer has pointed out the great  
6 bulk of the Stipulation and Agreements in front of  
7 you today are the ones -- very similar to what has  
8 already been approved in the six cases which have  
9 been resolved. Principal differences certainly  
10 with Laclede, M.G.E., and U.E. are that the whole  
11 harmless band is 10 percent as opposed to 5 percent  
12 with the larger LDC's.

13 And as Mr. Fischer has also pointed out on  
14 the issue of proration, the staff believes that  
15 proration is an appropriate method of ensuring that  
16 customers are charged for gas at the rate that is  
17 effective at the time the customers take the gas.

18 These are in fact three of the smallest  
19 LDC's in the state, far and away the smallest LDC's  
20 in the state, with the exception of Central Light  
21 and Power which has a big electric side.

22 The others with the exceptions of United  
23 Cities have all agreed to prorate. In the case of  
24 a few small LCD's, the staff believes the  
25 Commission needs to make that balancing judgment

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1 between proration and the cost involved.

2           The staff has present today Mike Straub  
3 who is the manager of the rates department in  
4 the -- I'm not sure what division it is anymore,  
5 but he's the manager of the rates department. And  
6 he can certainly answer any additional questions  
7 that you might have. Thank you.

8           JUDGE LUCKENBILL: Thank you, Mr.  
9 Schwarz. Mr. Michell?

10           MR. MICHELL: Douglass E. Michell  
11 appearing on behalf of the Office of the Public  
12 Counsel and the Public, P.O. Box 7800, Jefferson  
13 City, Missouri 65102-7800, appearing on behalf of  
14 the public.

15           The Office of the Public Counsel did not  
16 sign the Stipulations and Agreements. Although we  
17 do not oppose their implementation, I would just  
18 generally say that the Office of the Public Counsel  
19 supports the idea of prorating customer bills as  
20 long as there are no compelling reasons not to do  
21 so.

22           JUDGE LUCKENBILL: Commissioner Murray?

23           COMMISSIONER MURRAY: Thank you. I'd like  
24 to ask staff -- and Mr. Straub, if you'd like to  
25 respond to this. Do we need to swear him?

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1 JUDGE LUCKENBILL: Yes.

2 (Witness sworn.)

3 MIKE STRAUB testified as follows:

4 QUESTIONS BY COMMISSIONER MURRAY:

5 Q. Your counsel indicated that the reason  
6 there was a concern about the frequency of filings  
7 in the industry in general, and the fact that rates  
8 were being charged to customers for services when  
9 those rates were not actually in effect. Were  
10 those concerns applicable to these three companies?

11 A. Yes. The concerns were applicable to all  
12 of the LDC's in the state. However, these three  
13 particular Companies, we did not have the influx of  
14 customer inquiries that we have had with other  
15 companies that started the process of reviewing the  
16 frequency and the proration.

17 As someone mentioned earlier these three  
18 Companies filed very few PGA's, one or two a year.  
19 So the frequency really wasn't the primary concern  
20 and we did want to get some uniformity in the PGA  
21 cost.

22 Q. Were you concerned about customers being  
23 charged a rate that was not in effect at the time  
24 that they received the service?

25 A. Yes.

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1 Q. With these particular companies?

2 A. Yes.

3 Q. As I understood the explanation here  
4 earlier from the Company's counsel that what is  
5 being proposed as the administrative alternative is  
6 in fact the way that they have been handling these  
7 matters, is that not your understanding?

8 A. They've been handling these matters  
9 consistent with the other LDC's in the state. One  
10 of the problems we had with charging the customer a  
11 rate that wasn't in effect during that period also  
12 applied to these three as well as the other  
13 companies.

14 I'm not sure about Exhibit B that they  
15 were referring to, but there is an alternative  
16 available should the Commission decide that  
17 proration would be too expensive for these  
18 particular companies. And that would be to have  
19 both factors on the same tariff sheet indicating  
20 which factor would be billed prior to the effective  
21 date of the factor that would change.

22 Briefly that would ensure that whatever  
23 factor was in a rate in effect was in the tariff  
24 and should have been effective. Now, that answers  
25 the question of the tariffing of the factor. And

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1 I'm not certain about any other questions of  
2 proration.

3 Q. Attachment B, the language in that, is  
4 that something -- is that what the staff has agreed  
5 to as the alternative if the Commission should  
6 choose that alternative?

7 A. This is the idea, yes. Although this is  
8 not the specific language that would be necessary  
9 to be on the tariff, but it is the idea of  
10 conveying to the customer what the appropriate rate  
11 is for that particular day. And that would be on  
12 the tariff.

13 And in essence we would take the current  
14 tariff sheet that has one set of PGA factors and  
15 add another set that would go into effect thirty  
16 days later, but still retain the old factors on the  
17 tariff because they would be billed until thirty  
18 days after the effective date. We could provide an  
19 exhibit of a sample tariff sheet that would  
20 accomplish the proration for question.

21 Q. Have the parties discussed this?

22 MR. FISCHER: Your Honor, I think there  
23 may be a misunderstanding because we thought we had  
24 incorporated the Staff's language as a part of  
25 Exhibit B. This is the staff. They had drafted

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1 that language. And maybe it's from an earlier  
2 version.

3 But the Companies are certainly willing to  
4 work with the Staff to develop whatever their  
5 current thought is about how to improve that. But  
6 we thought that that was the Staff's language.

7 COMMISSIONER MURRAY: So were there  
8 discussions about this alternative between the  
9 Staff and the company?

10 THE WITNESS: Do there need to be  
11 further?

12 COMMISSIONER MURRAY: Were there  
13 discussions?

14 MR. SCHWARZ: I would say yes. Now, it's  
15 been a while. And I can't remember exactly which,  
16 you know, companies we talked to when. This is  
17 language -- the language in Exhibit B is language  
18 that we probably at some stage put out for  
19 discussion.

20 It's probably not and was probably never  
21 intended to be actual tariff language to implement  
22 particular changes, but it gives you the general  
23 idea.

24 COMMISSIONER MURRAY: How long would it  
25 take you to write actual tariff language that could

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1 be discussed?

2 MR. SCHWARZ: A matter of days.

3 BY COMMISSIONER MURRAY:

4 Q. And in essence is the -- would the effect  
5 of the tariff language that you would draft be to  
6 provide that the Company would not bill for the new  
7 rate until the rate was actually in effect -- the  
8 rate was actually in affect and that in some  
9 instances that might mean that the customers were  
10 receiving the service at the old rate even after  
11 the new rate was in effect? Would there be a time  
12 lapse in which the old rate would still be charged  
13 to the customer even though the new rates were in  
14 effect?

15 A. The way it would look is the effective  
16 date of the tariff -- to use a thirty day or the  
17 first day of the each month as an example, the  
18 effective date of the tariff -- let's say it would  
19 be October 1, we would have a set -- the current  
20 set of PGA factors on that tariff sheet. And it  
21 would indicate that for any bills rendered prior to  
22 November 1, 1997 as an example will be billed at  
23 that rate.

24 Then the tariff will also contain the  
25 proposed PGA factor. And for those rates it will

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1 have a sentence indicating that this PGA factor  
2 will be applied to any bill rendered on or after  
3 November 1, 1997.

4 So that's basically accomplishing the  
5 language that is attached -- indicated in  
6 Attachment B, but doing it in a more graphic  
7 example or that would show actually how the PGA  
8 factors would indicate on the tariff.

9 MR. SCHWARZ: If I might, the  
10 administrative route as opposed to the proration  
11 route relies on coordinating the meter reading with  
12 the billing in order to ensure that the people --  
13 the customers are charged rates that were in effect  
14 for the services for which they're being billed.

15 The proration addresses that issue simply  
16 by mathematical calculation so that certainly a  
17 major difference between the two is the one is  
18 simply a matter of calculation. The other one  
19 requires, you know, making sure that the meter  
20 readers are timely and that the administrative  
21 procedures are coordinated.

22 THE WITNESS: Would you like for me to put  
23 a diagram on the paper up there as to what a sample  
24 tariff might look like?

25 BY COMMISSIONER MURRAY:

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1 Q. It wouldn't take you very long, would it?

2 A. No.

3 Q. I would appreciate that.

4 A. I assume I can remove this. Okay. If  
5 they were to assume this were a normal tariff  
6 sheet, and this would be the sheet number. Then in  
7 the lower left-hand corner we would have the issue  
8 date and in the right-hand corner we would have the  
9 effective date.

10 Okay. Currently if we just had this  
11 tariff sheet, it would have some various language  
12 on here describing the factors in the sense for CCF  
13 or term or whatever it may be. And it would have  
14 approximately three or four depending upon the  
15 Companies. It might have the regular PGA refunds  
16 and so on, taker pay. And it would have the total  
17 PGA.

18 And then this total PGA is the actual end  
19 factor that is applied to usages on the customers  
20 bill. And that would be basically your existing  
21 PGA tariff sheet. And if this were to go into  
22 effect let's say 10-1-97, then any bill rendered on  
23 or after that day upon this rate would simply be  
24 applied to that bill even though the usage may have  
25 occurred in the entire month of September.

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1           Okay. The administrative way to deal with  
2 the PGA problem is one, we would retain the  
3 existing PGA factors. And let's assume \$3 has been  
4 in effect prior to 10-1-97. That's the old PGA  
5 rate.

6           Okay. The Company wants to modify their  
7 PGA, so then we would have a sentence here  
8 indicating that for bills rendered on and after  
9 after 10-1-97. Okay. And those are the existing  
10 ones. Then we would have our proposed rates.  
11 Let's say it's \$4 for the same. And then it would  
12 be for bills rendered on and after 11-1-97. Okay.  
13 So for any usage billed prior to 11-1-97 would then  
14 be billed at this rate, any bill that is rendered.

15           Once 11-1-97 passes then this is the  
16 factor that will be applied. So in essence what  
17 the paragraph says in his Attachment B, this is  
18 what it would look like on the tariff sheet. And  
19 it probably should contain the language on  
20 Attachment B as well. But that's how we would  
21 convert what he has in the paragraph to the factors  
22 for the PGA themselves, and what they would look  
23 like on the tariff.

24           Then after 11-1-97, and this is actually  
25 the current PGA factor, but for this thirty days

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1 between October 1, '97 and November 1, '97 we would  
2 have both of these on the tariff, but only one  
3 would be on in effect at a time.

4 Q. Okay. And if you were prorating, the  
5 effective date of the new rate would be October 1.  
6 And the customers would be billed for any service  
7 that they received after October 1 at the new rate?

8 A. Correct. And any service prior to  
9 October 1 would be at the old rate.

10 Q. So under this scenario the customer is  
11 actually receiving the service at the old rate for  
12 as much as thirty days after the new rate would  
13 have been in effect under proration?

14 A. That's correct.

15 Q. Does the Staff have a problem with this  
16 alternative?

17 A. Well, we understand the problems the  
18 Company has and the magnitude of the cost to  
19 prorate, and Staff is indicating that this is an  
20 alternative the Commission may like to consider  
21 rather than requiring large sums of money be spent  
22 for a small company to prorate.

23 Q. What happens to the loss of the dollars  
24 per unit there during that thirty-day period that  
25 the Company does not -- the Companies do not

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1 receive under this scenario? Does that get rolled  
2 back into rates somewhere later?

3 A. Yes. During the ACA process the Staff  
4 goes in and audits a specific period, a one-year  
5 period. And we look at the amount they collected  
6 versus the amount they incurred in gas costs.

7 And one of these factors -- there would be  
8 another column called ACA. And that's what that  
9 factor is, is after the Staff goes in and does its  
10 audit and says, okay, we think you either  
11 overcollected or undercollected, then we put this  
12 ACA factor in the middle here to compensate for any  
13 over or under collections during that period.

14 So if the Company undercollected during  
15 the period, then the ACA would be a positive factor  
16 here. And if they overcollected during the ACA  
17 period, then the ACA factor for the following  
18 period would be negative.

19 Q. And assume that we insisted upon them  
20 prorating, and they incurred in the additional  
21 costs for changing of their billing systems, then  
22 those additional costs would be rolled into rates  
23 later; is that correct?

24 A. As a general rule, and I hate to speak for  
25 Staff on this, but the Staff tries to ensure that

1 all reasonable costs incurred by the Company are  
2 rolled to rate payers.

3 Q. So in other words, if we --

4 MR. SCHWARZ: I don't know that that would  
5 be the case. A, I'm not sure how often -- if it  
6 would fall within a test period when these  
7 particular Companies would have a rate case. I'm  
8 not sure -- we would certainly not anticipate it  
9 being recurring. And I'm not sure that it would be  
10 big enough to do -- request an accounting authority  
11 order. So it might be a expense that came out of  
12 the shareholders' pockets.

13 COMMISSIONER MURRAY: So that's the way  
14 you see it more potentially being a shareholder  
15 loss than a rate payer loss.

16 MR. SCHWARZ: Well, without inquiring into  
17 the Companies of their rate case plan, yes, I would  
18 say that's probably correct.

19 COMMISSIONER MURRAY: Do you think there's  
20 enough benefit to the rate payer to cause the  
21 shareholders to incur that kind of a loss?

22 MR. SCHWARZ: I'll defer to Mr. Straub on  
23 that.

24 THE WITNESS: Well, we heard the figures  
25 like that you did and what did you say, 10 to \$15

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1 an individual? I would admit that is quite a bit.  
2 And it's a tough decision to make obviously, which  
3 is why we're here. I don't have an opinion on the  
4 benefit if it would be that much, 10 or \$15 a  
5 customer.

6 BY COMMISSIONER MURRAY:

7 Q. So the only figures we have to go by on  
8 that are the ones that were presented by the  
9 Companies?

10 A. That's correct.

11 COMMISSIONER MURRAY: I think that's all  
12 my questions. Thank you.

13 JUDGE LUCKENBILL: Counsel, in cases like  
14 this the Companies file compliance tariff sheets,  
15 you know, in compliance with the Commission's  
16 order. Is that the stage at which perhaps the  
17 details about this particular tariff filing would  
18 be worked out in the event that the Commission  
19 would decide that this is the way to go?

20 MR. FISCHER: Your Honor, that would be  
21 our preference. I think that would be the place --  
22 the time to work it out, and I apologize I thought  
23 we had --

24 MR. SCHWARZ: Tariff language. I'm sorry.

25 MR. FISCHER: -- tariff language there

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1 so . . .

2 JUDGE LUCKENBILL: But yes, as I read that  
3 language it seems apparent to me that it's not  
4 intended to be tariff language because it starts  
5 out with as an alternative to proration. And  
6 certainly a customer would really have no idea what  
7 that would mean in the tariff.

8 MR. FISCHER: Originally, your Honor, we  
9 had the language that is currently in the tariff  
10 and this was a paragraph that followed that so in  
11 the event the Commission ruled in our favor, the  
12 language would already be there. And that was  
13 taken out and then the suggestion was made that we  
14 add it to Attachment B to give the Commission some  
15 language, so that's what we did.

16 QUESTIONS BY JUDGE LUCKENBILL:

17 Q. Okay. Vice Chair Drainer could not be  
18 with us this afternoon, but she wanted me to convey  
19 that she is with us in spirit, so to speak. And  
20 she does have some questions, and I'll do my best  
21 at trying to get these questions answered.  
22 Mr. Fischer -- and I apologize Commissioner Murray  
23 if this is redundant on some of the points that  
24 you've already covered.

25 Mr. Fischer, I will direct this question

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1 to you, but you should feel free to call upon any  
2 of your clients if you need to get a response.

3 Has Fidelity had -- and, of course, I  
4 mean, Fidelity Natural Gas Incorporated, has that  
5 company had any complaints relating to proration of  
6 customer's bills?

7 MR. BLISS: Not to my knowledge.

8 JUDGE LUCKENBILL: Mr. Kent Bliss, I'll  
9 need to swear you in. Would you please state your  
10 name for the record?

11 MR. BLISS: Kent Bliss.

12 JUDGE LUCKENBILL: How do you spell your  
13 last name?

14 MR. BLISS: B-l-i-s-s.

15 (Witness sworn.)

16 KENT BLISS testified as follows:

17 QUESTIONS BY JUDGE LUCKENBILL:

18 Q. Sir, with having been sworn in, would you  
19 let me ask the question again. Has Fidelity  
20 Natural Gas Incorporated had any complaints related  
21 to the proration of customers' bills?

22 A. Not to my knowledge, no.

23 JUDGE LUCKENBILL: Mr. Fischer, has  
24 Southern Missouri Gas Company had any complaints  
25 relating to proration of customers' bills?

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1                   MR. FISCHER: To my understanding they  
2 have not.

3                   JUDGE LUCKENBILL: Has Greeley Gas Company  
4 had any complaints relating to proration of  
5 customers' bills?

6                   MR. FISCHER: Again the answer would be  
7 no, your Honor.

8                   JUDGE LUCKENBILL: Do you need to call  
9 your witness on this?

10                  MR. FISCHER: I could make sure since the  
11 last time we discussed this whether there has been  
12 any new complaints brought forward, but the last  
13 time we talked about it there had been none. That  
14 was probably at the time we were negotiating this  
15 matter. I'll be glad to clarify that for current  
16 information, but that's the most recent information  
17 I have.

18                  JUDGE LUCKENBILL: My meaning was just if  
19 there was someone in this room with us today --

20                  MR. FISCHER: There is someone with  
21 Southern Missouri, yes. There have been none for  
22 Souther Missouri Gas.

23                  JUDGE LUCKENBILL: Mr. Schwarz, I'll  
24 direct these questions to you, but also you should  
25 feel free to call upon any staff witnesses you need

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1 to respond. Has Fidelity Natural Gas had any  
2 complaints relating to proration of customers'  
3 bills?

4 MR. SCHWARZ: Not to my knowledge, no.

5 JUDGE LUCKENBILL: Has Southern Missouri  
6 Gas Company had complaints relating to proration of  
7 customers' bills?

8 MR. SCHWARZ: No, sir.

9 JUDGE LUCKENBILL: Has Greeley Gas Company  
10 had complaints relating to proration of customers'  
11 bills?

12 MR. SCHWARZ: Not to my knowledge, no.

13 JUDGE LUCKENBILL: Mr. Fischer, each of  
14 these companies; Fidelity, Southern Missouri Gas,  
15 and Greeley Gas, each maintain that it's  
16 impractical to prorate customers' bill; is that  
17 correct?

18 MR. FISCHER: Yes, your Honor.

19 JUDGE LUCKENBILL: Why is it impractical  
20 to prorate for these Companies? Or maybe what I  
21 should ask is, is there anything further that you  
22 would add in addition to Attachment B as you stated  
23 in opening as to why this would be impractical?

24 MR. FISCHER: I think I pretty much fully  
25 answered the question from our perspective. The

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1 cost is the primary issue for Southern Missouri Gas  
2 Company and Fidelity. For Greeley, the fact that  
3 they have only one meter reading route makes it  
4 easier not go through the process of prorating but  
5 rather time their changes with the meter reading.

6 In any event the administrative solutions  
7 are better from our perspective, less costly, and  
8 would save shareholders or customers money  
9 depending on whether they were picked up in rent  
10 cases or not.

11 JUDGE LUCKENBILL: And other than the  
12 company's specific distinctions that you've already  
13 detailed, are these reasons the same for each of  
14 these three companies?

15 MR. FISCHER: With the distinctions that  
16 I've made that's right.

17 JUDGE LUCKENBILL: Mr. Schwarz, given the  
18 reasons that proration is impractical that we've  
19 heard about and seen through the attachments, why  
20 didn't staff agree to not implement proration for  
21 these companies? Or let me put it another way.  
22 Why didn't we see a Stipulation and Agreement that  
23 did not provide that these companies do not have to  
24 prorate?

25 MR. SCHWARZ: Well, I think that the staff

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1 thinks -- the staff's position is that proration is  
2 the better approach. If you rely on administrative  
3 methods of dealing with this issue, you will have  
4 possibly problems develop with the coordination  
5 required to ensure that the tariff conditions are  
6 observed.

7           Greeley, for instance, is of a size now  
8 where they have but a single meter reading date.  
9 That might change in the future. It might. And on  
10 balance the staff felt that if proration were not  
11 to be adopted here, that that's a decision the  
12 Commission should direct.

13           JUDGE LUCKENBILL: Mr. Michell, is there  
14 anything that you wanted to add to this?

15           MR. MICHELL: No, your Honor. Let me just  
16 say one point about the cost of proration, and I  
17 think it's come out here. But if the shareholders  
18 felt that there was some detriment to them to a  
19 large enough amount, they certainly are entitled to  
20 file a base rate case proceeding where we could  
21 look at all their costs if they felt that the  
22 impact of prorating customer bills was such a large  
23 impact on the Company's earnings that they needed a  
24 rate increase.

25           So I just don't want to leave the

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1 Commission with the idea that the shareholders are  
2 going to have to do it all. It is at their option  
3 whether or not they want to file for base rate  
4 proceedings. And I'm not recommending that that  
5 happen. I just want to clarify.

6 MR. FISCHER: Your Honor, I might just  
7 make two points just in closing if I could. Both  
8 Southern Missouri Gas Company's affiliate and  
9 Fidelity will in the future be looking at changing  
10 out their billing systems. That's not something  
11 that's going to occur right away, but it's  
12 something that's on the table for discussion in the  
13 future. And at that time it wouldn't be expensive  
14 to put that proration into the package. But to do  
15 it as a separate item is where the additional cost  
16 comes in.

17 And I would also say for those two  
18 particular companies, they are what I call up-start  
19 companies where they are competing heavily with  
20 propane. They started out with the zero market  
21 share. They don't want to file a rate case because  
22 they don't want to raise their rates because  
23 propane is out there, and they're trying very hard  
24 to penetrate that propane market.

25 And to the extent it's not like a

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1 traditional company that has 80 percent of the  
2 heating market. These two companies are completing  
3 in a very competitive market with the propane and  
4 therefore it's not likely that unless some other  
5 factors come into play that they're going to want  
6 to raise their rates.

7 JUDGE LUCKENBILL: Commissioner Murray,  
8 any further?

9 COMMISSIONER MURRAY: I don't have  
10 anything further. Thank you.

11 JUDGE LUCKENBILL: We've premarked  
12 Exhibits 1, 2, and 3 which are the Stipulation and  
13 Agreements from these three cases. Are there any  
14 objections to the receipt of those exhibits into  
15 this record?

16 (No response.)

17 JUDGE LUCKENBILL: Hearing none, Exhibit  
18 1, 2, and 3 will be received.

19 (EXHIBIT NOS. 1 THROUGH 3 WERE RECEIVED  
20 INTO EVIDENCE.)

21 JUDGE LUCKENBILL: Any other matters to  
22 take up on the record, counsel?

23 MR. SCHWARZ: No.

24 JUDGE LUCKENBILL: Hearing none this  
25 proceeding is adjourned. Off the record.

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