

Exhibit No.:

Issue(s) Comprehensive Gas Purchasing Approach

Witness/Type of Exhibit: Meisenheimer/Surrebuttal

Sponsoring Party: Public Counsel

Case No.: GT-2001-329

SURREBUTTAL TESTIMONY

OF

BARBARA A. MEISENHEIMER

Submitted on Behalf of the Office of the Public Counsel

LACLEDE GAS COMPANY

Case No.: GT-2001-329

May 30, 2001

FILED
MAY 30 2001
Missouri Public
Service Commission

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

In the matter of Laclede Gas Company's tariff)
filing to implement an experimental fixed price)
Plan and other modifications to its gas supply)
incentive plan.)

Case No. GT-2001-329

AFFIDAVIT OF BARBARA A. MEISENHEIMER

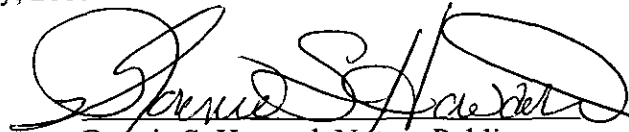
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Barbara A. Meisenheimer, of lawful age and being first duly sworn, deposes and states:

1. My name is Barbara A. Meisenheimer. I am Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony consisting of pages 1 through 5.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


Barbara A. Meisenheimer

Subscribed and sworn to me this 30th day of May, 2001.


Bonnie S. Howard, Notary Public

My Commission expires May 3, 2005.



**SURREBUTTAL TESTIMONY
OF
BARBARA A. MEISENHEIMER**

**LACLEDE GAS COMPANY
TARIFF FILING TO MODIFY THE EXPERIMENTAL GAS
INCENTIVE SUPPLY PROGRAM**

CASE NO. GT-2001-329

Introduction

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel, P. O. Box 7800, Jefferson City, Missouri 65102. I am also employed as an adjunct Economics Instructor for William Woods University.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. Yes, I submitted rebuttal testimony addressing the gas procurement portion of Laclede Gas Company's (Laclede's or the Company's) Experimental Gas Supply Incentive Plan (EGSIP) on May 4, 2001.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. I am presenting Public Counsel's response to portions of the Staff's rebuttal testimony filed by Robert Schallenberg.

1 **Q. IN PREPARATION OF YOUR TESTIMONY, WHAT MATERIALS DID YOU REVIEW?**

2 A. I have reviewed the Staff's rebuttal testimony and Staff's responses to OPC data requests.

3 **Q. BASED ON YOUR REVIEW OF THE STAFF'S REBUTTAL TESTIMONY ARE THERE AREAS OF**
4 **AGREEMENT BETWEEN THE STAFF AND PUBLIC COUNSEL REGARDING TREATMENT OF**
5 **THE ESIP?**

6 A. Yes, it appears that both Staff and Public Counsel recognize that there are fundamental
7 deficiencies in the incentive and reward structure of the existing EGSIP. Ultimately, both
8 parties concluded that the deficiencies are so pervasive that the appropriate remedy is to
9 terminate the existing ESIP. Our positions differ regarding the treatment of incentives
10 following the elimination of the existing EGSIP. I will address these differences later in
11 my testimony. Both Staff and Public Counsel also advise against adoption of the
12 proposed Experimental Fixed Price Program because the benefits Laclede attributes to the
13 Plan are illusory. In the event that the Commission acts to the contrary and approves
14 continuation of the EGSIP, both Staff and Public Counsel have proposed modifications
15 that are designed to lessen the detrimental impact caused by continuation of the plan.

16 **Q. PLEASE DESCRIBE THE PUBLIC COUNSEL'S AND STAFF'S PROPOSED TREATMENT OF**
17 **INCENTIVES FOLLOWING THE ELIMINATION OF THE EXISTING EGSIP.**

18 A. Public Counsel recommended elimination of the EGSIP pointing out that the current
19 mechanisms have produced at best *de minimis* benefits for Laclede's customers. The Staff
20 also suggests elimination of the current plan. However, the Staff proposes replacing the
21 EGSIP with a comprehensive gas purchasing approach that would require Laclede and
22 potentially other gas utilities to develop and submit a purchasing plan and supporting

1 documentation in advance of purchases. Staff proposes that Staff and Public Counsel
2 have an opportunity to voice concerns and recommend modifications to the plans. The
3 prudence of gas purchases would still be reviewed but the review would be limited in
4 practice to issues raised in response to the Company's purchase plan. The Staff's
5 proposal regarding incentives would reward the top 20% of district performances
6 provided that the cost of gas provided to customers is below the prior three-year average.

7 **Q. WHAT CAUSED PUBLIC COUNSEL TO REQUEST TO FILE SURREBUTTAL TESTIMONY IN**
8 **THIS CASE?**

9 A. Public Counsel requested authority to file surrebuttal testimony in this proceeding in
10 order to seek clarification and to potentially respond to Staff's proposal. Public
11 Counsel's primary concern regarding Staff's proposal related to a statement made on
12 page 26, lines 15 through 17, of Staff witness Schallenberg's direct testimony. Mr.
13 Schallenberg stated "The scope of prudence disallowances should be limited in practice
14 to issues that were brought to the company's attention before the decision was made and
15 to disagreements regarding the proper measurement of actual costs." Public Counsel
16 wanted to verify through the discovery process that the Staff's proposal was not intended
17 to foreclose Public Counsel's ability to raise issues during an ACA review that were not
18 previously raised during the initial review of a company's purchase plan. In the event
19 that the proposal would restrict the timing and extent of Public Counsel's objections to a
20 company's purchase practices we sought additional clarification on other potential
21 concerns related to the initial review process. For example, we sought clarification on the
22 time commitment and expertise that would be required to effectively evaluate purchasing
23 proposals during the initial review and the potential need to participate in numerous
24 purchasing reviews simultaneously. Additionally, we requested clarification on how

disagreements regarding the specific issues or concerns raised by a party during the pre-purchase review process would be resolved.

Q. WOULD PUBLIC COUNSEL OPPOSE THE STAFF PROPOSAL IN THE EVENT THAT IT SOUGHT TO LIMIT PUBLIC COUNSEL'S ABILITY TO VOICE CONCERNS OR RAISE ISSUES TO ONLY THOSE RAISED DURING THE INITIAL REVIEW?

A. Absolutely, we would strongly object to any proposal that would foreclose Public Counsel's normal ability to represent consumers by conducting discovery or raising issues in the ACA review process.

Q. HAS THE STAFF PROVIDED CLARIFICATION REGARDING THESE ISSUES?

A. Yes. Based on discussions with the Staff and Staff's responses to OPC data requests it is my understanding that the Staff proposal is in no way intended to prohibit or restrict a party's rights as currently afforded by Missouri statute or Commission rule.

Q. WHAT IS PUBLIC COUNSEL'S POSITION REGARDING THE PORTION OF STAFF'S TESTIMONY THAT PROPOSES A COMPREHENSIVE GAS PURCHASING APPROACH?

A. Public Counsel supports improved documentation and a more proactive review of Missouri LDCs' gas purchasing activities provided that there is recognition that such a process does not limit a party's right to discovery or full participation in the ACA review process. Furthermore, we would participate in pre-purchase reviews within the reasonable ability of our resources.

1 **Q. THE STAFF RECOMMENDS A ONE-YEAR TERM IN THE EVENT THAT THE EGSIP**
2 **CONTINUES. DOES PUBLIC COUNSEL SUPPORT THE STAFF'S RECOMMENDATION?**

3 A. Yes, we do. We agree with the Staff's conclusion that EGSIP should be reviewed
4 annually allowing sufficient flexibility to accommodate recommendations from the
5 Natural Gas Commodity Price Task Force.

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 A. Yes, it does.