

Exhibit No.:

*Issues: Billing Adjustments; Billing
Requirements; Meter Reading;
Customer Billing*

Witness: Carol Gay Fred

Sponsoring Party: MoPSC Staff

Type of Exhibit: Direct Testimony

Case No.: GC-2006-0318

Date Testimony Prepared: July 28, 2006

MISSOURI PUBLIC SERVICE COMMISSION

ADMINISTRATION DIVISION

DIRECT TESTIMONY

OF

CAROL GAY FRED

LACLEDE GAS COMPANY

CASE NO. GC-2006-0318

*Jefferson City, Missouri
July 2006*

*** Denotes Proprietary Information***

**** Denotes Highly Confidential Information ****

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BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

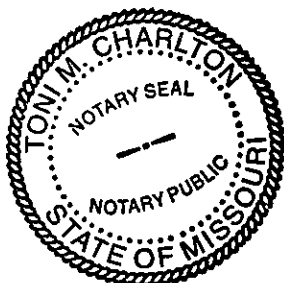
Staff of the Public Service Commission of Missouri)
v. Laclede Gas Company) Case No. GC-2006-0318
)
The Office of the Public Counsel, Complainant v.) Case No. GC-2006-0431
Laclede Gas Company, Respondent)

(Consolidated)

AFFIDAVIT OF CAROL GAY FRED

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Carol Gay Fred, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 13 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.



Carol Gay Fred
Carol Gay Fred

Subscribed and sworn to before me this 28th day of July 2006.

TONI M. CHARLTON
Notary Public - State of Missouri
My Commission Expires December 28, 2008
Cole County
Commission #04474301

Toni M. Charlton

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TABLE OF CONTENTS
DIRECT TESTIMONY OF
CAROL GAY FRED
LACLEDE GAS COMPANY
CASE NO. GC-2006-0318

Background of Witness 1

Purpose of Testimony 2

Billing Adjustments 3

Billing Requirements 6

Actual versus estimated meter reading for more than three (3) consecutive billing periods.... 8

Undercharges for a Period Greater than Twelve Months 9

1 **DIRECT TESTIMONY**
2 **OF**
3 **CAROL GAY FRED**
4 **LACLEDE GAS COMPANY**
5 **CASE NO. GC-2006-0318**
6

7 Q. Please state your name and business address

8 A. My name is Carol Gay Fred, and my business address is 200 Madison Street,
9 Suite 800, Jefferson City, MO 65101.

10 Q. By whom are you employed and in what capacity?

11 A. I am the Consumer Services Manager for the Missouri Public Service
12 Commission (Commission or MoPSC).

13 **BACKGROUND OF WITNESS**

14 Q. Please describe your education and other qualifications.

15 A. I graduated from Almeda University, at Wauconda, IL in May of 2002, with a
16 Bachelor of Science degree in Business Administration. I also received my Certification in
17 Project Management from Boston University, at Boston, MA in December 1999.

18 Q Have you previously filed testimony before this Commission?

19 A. Yes. I have filed testimony before the Commission on several occasions in my
20 previous capacity as a Rate and Tariff Examiner II in the Telecommunications Department
21 under the Operations Division of the Commission and in my current capacity as Manager of
22 Consumer Services.

1 Q. What knowledge, skill, experience, training or education do you have in
2 regulatory matters?

3 A. I have acquired general knowledge of these topics through my experience and
4 analyses in prior rate, complaint, merger, rulemaking and working group cases before this
5 Commission. I have also acquired knowledge of these topics through review of Staff
6 workpapers for prior complaint cases brought before this Commission. I have reviewed prior
7 Commission decisions with regard to these areas. In addition, since commencing employment
8 with the Commission in January, 1987, I have attended various in-house training seminars and
9 NARUC training seminars and conferences. I am an active member of the NARUC
10 Subcommittee on Consumer Affairs. I have also participated in and supervised the work on a
11 number of informal and formal complaint proceedings. As the manager of consumer services
12 department I supervise and provide instructions to Consumer Specialist Is and IIs, on similar
13 matters within the Administration Division.

14 In addition, prior to my employment with the Commission I was employed by United
15 Telephone Company, now known as Embarq, from 1977 to 1987, as an internal consultant with
16 primary functions that consisted of call center supervision, credit and collections, outside plant
17 compliance audits, cable assignment specialist and central office switch conversion assistant.

18 **PURPOSE OF TESTIMONY**

19 Q. What is the primary purpose of your testimony?

20 A. The purpose of my testimony is to address Count I of Staff's complaint against
21 Laclede Gas Company (Laclede or Company). In addition I will address the Office of the
22 Public Counsel's (OPC's) complaint regarding Laclede's practice of adjusting customer bills
23 where the customer has been undercharged by Laclede for a period great than twelve months.

1 Q. Please describe the various components of your testimony.

2 A. My testimony will: (1) describe the regulatory requirements of
3 4 CSR 240-13.025, specifically how it governs **billing adjustments**, (2) describe the regulatory
4 requirements of 4 CSR 240-13.020, which governs **billing requirements** and (3) describe the
5 regulatory requirements of 4 CSR 240-13-020, specifically related to **actual versus estimated**
6 **meter reading for more than three (3) consecutive billing periods and address notification**
7 **requirements**. I will also address OPC's complaint regarding **undercharges** by Laclede as it
8 relates to 4 CSR 240-13.025 (1) (B).

9 **BILLING ADJUSTMENTS**

10 Q. Please briefly describe the purpose of 4 CSR 240-13.025 on Billing
11 Adjustments.

12 A. The purpose of this rule is to establish billing adjustments in the event of an
13 overcharge or undercharge.

14 Q. How are the billing adjustments determined?

15 A. "For all billing errors, the utility will determine from all related and available
16 information the probable period during which a bill error has existed and shall make the
17 appropriate billing adjustments for the estimated period involved..." (4 CSR 240.13.025 (1)).

18 Q. What are the rule requirements in the event of an overcharge?

19 A. "For an overcharge, an adjustment shall be made for the entire period that the
20 overcharge can be shown to have existed not to exceed sixty (60) consecutive monthly billing
21 periods." (4 CSR 240.13.025 (1) (A)).

22 Q. In the event of an undercharge what are the requirements?

1 A. “For an undercharge, an adjustment shall be made for the entire period that the
2 undercharge can be shown to have existed not to exceed twelve (12) monthly billing periods,
3 calculated from the date of discovery, inquiry or actual notification of the utility, whichever
4 was first.” (4 CSR 240.13.025 (1) (B)).

5 Q. Has Laclede followed the Commission rules appropriately on billing
6 adjustments?

7 A. No. Laclede has failed to follow the Commission rule on undercharges. For
8 example, when Staff initially filed this complaint, on February 2, 2006, Staff had identified
9 approximately forty-eight (48) consumer complaints that dealt with estimated bills which, for
10 the most part, dealt with undercharges. However, as of July 14, 2006, there had been two-
11 hundred ninety-nine (299) additional complaints filed that were directly identified as billing
12 complaints related to estimated bills (see Highly Confidential Schedule A).

13 Q. Of the 299 additional complaints filed how many resulted in actual
14 undercharges?

15 A. Two-hundred twenty-six (226).

16 Q. How many of those undercharges exceeded twelve monthly billing periods?

17 A. There were eighty-nine (89) that exceeded twelve monthly billing periods. (see
18 Highly Confidential Schedule A).

19 Q. Can you explain why a customer could receive a bill for undercharges?

20 A. A bill for undercharges, otherwise referred to as “catch-up” bill, is generally sent
21 because of the company’s inability to obtain an actual meter reading from the customer’s meter
22 for one or more billing periods. This situation results in a customer receiving an estimated bill
23 until the company is able to obtain an actual meter reading or the customer provides self-reads

1 to the company, at which time the company will send the customer a “catch-up” bill. A self-
2 read is a reading by the customer, submitted on company provided postcards, for purposes of
3 billing.

4 Q. The customer complaints referred to previously, had the customers’ bills been
5 estimated?

6 A. Yes. The bills of the identified consumer complaints mentioned previously were
7 estimated due to Laclede failing to obtain an actual meter reading or the customer failing to
8 submit a self-reading. (see Highly Confidential Schedule A)

9 Q. In your opinion, would it have been possible for Laclede to avoid so many
10 estimated bills?

11 A. Yes. If Laclede would have provided written notice to consumers explaining the
12 possible impact of ongoing estimated bills and the company’s obligation and right to access
13 their equipment for meter readings and routine maintenance/safety inspections, the consumers
14 would have been better informed and, therefore more likely to make arrangements with Laclede
15 to get actual meter readings to avoid estimated bills.

16 Q. Is Laclede required to provide written notice?

17 A. Yes. Commission Rule 4 CSR-240-13.020 (2) 3 states:

18 When the utility is unable to obtain access to the customer’s premises for
19 the purpose of reading the meter or when the customer makes reading the
20 meter unnecessarily difficult. If the utility is unable to obtain an actual
21 meter reading for these reasons, where practicable it shall undertake
22 reasonable alternatives to obtain a customer reading of the meter, such as
23 mailing or leaving post-paid, preaddressed postcards upon which the
24 customer may note the reading unless the customer requests otherwise.

25 Q. Were Laclede customers advised by Laclede that there was a need to obtain an
26 actual meter reading to prevent such “catch-up” bills?

1 A. No. In previous complaint investigations Staff has asked Laclede, on several
2 occasions to produce the letter that had been sent to customers advising them of the need to
3 obtain access to their gas meter in order to obtain an actual reading.

4 Q. Did Laclede ever produce any type of documentation that they felt addressed the
5 issue?

6 A. Yes. Laclede provided a document titled, "Meter Reading Notice" and often
7 referred to by Laclede as the 9/22/05 letter. However, the notice was not dated. Further, it was
8 addressed only to customers that Laclede's records indicated had a meter reading device known
9 as a "trace device" (Schedule B).

10 Q. Does staff agree that the "Meter Reading Notice" is adequate to provide notice
11 to all customers whose bills had been estimated for three (3) consecutive billing periods?

12 A. No. Because the notice was only sent to those customers with a trace device.
13 As of December 2003, approximately 120,000 customers had the trace device out of
14 approximately 290,000 customers with inside meters, therefore approximately, forty-one (41)
15 percent of customers were not notified. The notice is insufficient because Laclede has failed to
16 adequately notify customers that had received at least three consecutive estimated bills of the
17 possible impact and need to obtain a reading. This is a direct violation of Commission Rule
18 4 CSR 240-13.020 (3).

19 **BILLING REQUIREMENTS**

20 Q. Please provide the definition of billing period.

21 A. In 4 CSR 240-13.015 (C) "Billing period means a normal usage period of not
22 less than twenty-six (26) nor more than thirty-five (35) days for a monthly billed customer nor

1 more than one hundred (100) days for a quarterly billed customer, except for initial, corrected
2 or final bills.”

3 Q. What are the billing standards according to Commission rule?

4 A. According to 4 CSR 240-13.020 (1) and (2), respectively, “a utility shall
5 normally render a bill for each billing period to every residential customer in accordance with
6 its tariff” and that “each billing statement rendered by the utility shall be computed on the
7 actual usage during the billing period...”

8 Q. Are there exceptions that render a bill on actual usage only?

9 A. Yes. Under 4 CSR 240-13.020 (2) (A) it states:

10 A utility may render a bill based on estimated usage if: (1) for
11 seasonally billed customers an actual reading is obtained before each
12 change in the seasonal cycle; (2) extreme weather conditions,
13 emergencies, labor agreements or work stop-pages prevent actual meter
14 readings; and (3) a utility is unable to obtain access to the customer’s
15 premises for the purpose of reading the meter or when the customer
16 makes reading the meter unnecessarily difficult. If the utility is unable to
17 obtain an actual meter reading for these reasons, where practicable it
18 shall undertake reasonable alternatives to obtain a customer reading of
19 the meter, such as mailing or leaving post-paid, preaddressed postcards
20 upon which the customer may note the reading unless the customer
21 requests otherwise.

22 Q. Has Laclede complied with the Commission rule that governs how Laclede is to
23 bill customers?

24 A. No. Specifically, Commission rule 4 CSR 240-13.020 (3) states that:

25 If a utility is unable to obtain an actual meter reading for three (3)
26 consecutive billing periods, the utility shall advise the customer by first
27 class mail or personal delivery that the bills being rendered are
28 estimated, that estimation may not reflect the actual usage and that the
29 customer may read and report gas usage to the utility on a regular basis.
30 The procedure by which this reading and reporting may be initiated shall
31 be explained. A utility shall attempt to secure an actual meter reading
32 from customers reporting their own usage at least annually. These
33 attempts shall include personal contact with the customer to advise the
34 customer of regular meter reading day. The utility shall offer

1 appointments for meter readings on Saturday or prior to 9:00 p.m. on
2 weekdays...

3 Laclede has failed to render regular monthly bills for each billing period to every
4 residential customer.

5 Q. How do you know this?

6 A. Laclede provides quarterly reports to the Commission Staff and OPC, which
7 provides the number of estimated reads their have been for each month and the number of
8 estimated reads they have had for seven plus consecutive months, within the quarter (see
9 Proprietary Schedule C).

10 **ACTUAL VERSUS ESTIMATED METER READING FOR MORE THAN THREE (3)**
11 **CONSECUTIVE BILLING PERIODS**

12 Q. Has Laclede followed the rule on obtaining an actual meter reading following
13 estimated bills for three (3) consecutive billing periods?

14 A. No. As previously discussed under billing adjustments, Laclede has failed to
15 obtain actual meter reading and has gone beyond the rule allowance of three consecutive billing
16 periods. (See Proprietary Schedule C, Estimated Meter Readings.)

17 Q. How far beyond the three (3) consecutive billing periods has Laclede gone for
18 estimating bills?

19 A. Laclede has provided Staff documentation in May 2006, stating that in March
20 2006, there were * * customers, who received estimated bills. Of that number
21 * * customers, received consecutive estimated bills for seven months or more. (See
22 Proprietary Schedule C)

23 Q. Based on the information you have seen has the number of estimated bills
24 increased or have they decreased?

1 A. The number of estimated bills has decreased.

2 Q. Do you know why?

3 A. Yes. Given Laclede's installation of Automated Meter Reading (ARM) devices,
4 the company is able to acquire actual meter readings, which should virtually eliminate
5 estimated bills.

6 Q. Are there related concerns with estimated bills and the installation of ARM's?

7 A. Yes, for every meter where an AMR is being installed and where estimated bills
8 existed prior to the installation of the ARM, there is a "catch-up" bill to correct the over -or
9 under-estimated usage amount on prior bills. These "catch-up" bills can be extremely
10 burdensome on the customer given they are in addition to their regular monthly bill and can go
11 back as far as 12 months.

12 **UNDERCHARGES FOR A PERIOD GREATER THAN TWELVE MONTHS**

13 Q. OPC alleges that Laclede is violating the Commission rule
14 4 CSR 240-13.025 (1)(B) which you referred to on page 3 under billing adjustments. Do you
15 agree with the OPC's assessment?

16 A. Based on the number of complaints received and investigated from November
17 2005 – July 14, 2006, Laclede has billed customers in excess of 12 months for undercharges.
18 (See Highly Confidential Schedule D)

19 Q. To your knowledge has Laclede adjusted undercharges beyond a 12 month
20 period?

21 A. Yes.

22 Q. Please explain?

1 A. Laclede alleges that under the rule they can calculate the undercharges for 12
2 monthly periods from the date of discovery, inquiry or actual notification of the utility
3 whichever was first. (See MOTION TO DISMISS OR IN THE ALTERNATIVE,
4 ANSWER TO COMPLAINT, page 3, paragraph 6 of the Complaint and Laclede's response
5 on page 6, paragraph 16.)

6 Q. Does the rule allow for this provision?

7 A. In my opinion yes. Commission rule 4 CSR 240-13.025 (1) (B) states:

8 In the event of an undercharge, an adjustment shall be made for the
9 entire period that the overcharge can be shown to have existed not to
10 exceed sixty (60) consecutive monthly billing periods, or twenty (20)
11 consecutive quarterly billing periods, calculated from the date of
12 discovery, inquiry or actual notification of the utility, whichever comes
13 first...

14 Q. What do you believe to be the issue that OPC is trying to address?

15 A. I do not believe the issue is whether or not the utility company can bill for an
16 undercharge. The issue is can a utility charge for a undercharge for 12 months prior to the
17 point of discovery, in addition to all usage consumed past the point of discovery if the company
18 has not made an attempt to stop the cause that generated the undercharge bill.

19 Q. What is your opinion on this issue?

20 A. If the undercharge is due to the lack of company access to the customer's meter
21 to obtain an actual reading for billing purposed, then as stated in Staff's complaint the company
22 is responsible for sending notice(s) to the customer in order for the customer to be aware of the
23 possible repercussions of either a bill that covers more than a possible 12 month period or
24 possible termination of service. (4 CSR 240-13.020 (3))

1 Q. Then do you agree with OPC's Complaint that Laclede has authorization to
2 discontinue service to any customer that refuses "after reasonable notice to permit inspection,
3 maintenance, replacement or meter reading of utility equipment," (4 CSR 240-13.050 (1) (E))?

4 A. Yes and no. I say this because there are at least two other Commission rule
5 provisions that impact the company, when considering discontinuance of service.

6 Q. Can you explain?

7 A. The first provision is under the Cold Weather Rule period that is from
8 November 1 to March 31. During that time, the utility is prohibited from disconnecting
9 residential service if the National Weather Service local forecast is predicting that the
10 temperature will drop below thirty-two degrees Fahrenheit for the following twenty-four hours.
11 (4 CSR 240-13.055 (5) (A)). The second provision that I referred to specifically addresses
12 notice and discontinuance of service to multidwelling residential units. A customer who
13 resides in a multidwelling unit where each residential unit is on individual meter and the meters
14 are located in an area that the company can not gain access either through the tenants or
15 landlord, the company is prohibited from disconnecting service at the curb box. If the company
16 were to discontinue service at the curb box it would affect all the tenants in the multidwelling
17 unit which is prohibited by Commission rule (4 CSR 240-13.050 (6) (A-C)). Therefore these
18 two existing rule provisions would prevent the company from following through with a
19 discontinuance of service, due to a customer refusing to allow access.

20 Q. Do you believe this to be a problem?

21 A. Yes. Given the high concentration of inside meters in Laclede's St. Louis
22 service area, the high number of multidwelling units in St. Louis City and the protections of the

1 CWR, all of these collectively would hamper any company from carrying through with
2 disconnecting customers for failure to allow access to the utility's equipment (meter).

3 Q. Do you agree with OPC's position that Laclede had a means whereby to force
4 the customer to allow access to utility equipment?

5 A. I agree there is the provision in the rule to allow for discontinuance of service to
6 force the customer to allow the utility to gain access to their equipment, however, in actual
7 application with the consideration of other Commission rules, I do not believe it can always be
8 applied.

9 Q. Do you believe it is the sole responsibility of the company to force entry to
10 access their equipment?

11 A. No. I believe the customer must play a part in being responsible to ensure that
12 their bills for usage are accurate. If the customer is provided notice that there is a need to
13 access their meter to obtain an actual reading to eliminate estimated billing to prevent large
14 catch-up bills, then it is the customer's responsibility to make arrangements to allow access. If,
15 however, the customer is deliberately avoiding the company's request in hopes that they can
16 avoid possible undercharges, then the customer is at fault. In my opinion, both the utility and
17 the customer are responsible for ensuring that the customer is being billed properly for the
18 customer's actual usage.

19 Q. How could a customer avoid an undercharge bill?

20 A. There are two options for the customer. The customer can make arrangements
21 to allow the utility access to their meter to obtain an actual meter reading on a monthly basis or
22 the customer can conduct their own meter reading and submit their read to the company

1 monthly on company supplied self-read cards in order to obtain a bill that is based on actual
2 usage. Either of these methods, can eliminate the likelihood of a significant undercharge bill.

3 Q. Is this option available to Laclede customers?

4 A. Yes.

5 Q. Does this conclude your testimony?

6 A. Yes.

Schedule A

Highly Confidential

In Its

Entirety

Meter Reading Notice

Our records indicate that the meter reading device currently installed on your gas meter is not providing consistent monthly meter readings. As a result, it has been necessary to estimate your gas usage for billing purposes. We are pleased to let you know that we are in the process of implementing new meter reading technology to replace the device currently installed on your meter. The deployment of this new technology will take some time however, and we are working on a replacement schedule that has not yet been completed. There will be no charge to you when we replace the meter reading device and your gas service will not be disrupted. However, until we are able to make this replacement, it is important that we verify the readings used for billing by obtaining an actual meter reading. We ask your assistance as follows in order to ensure that you are billed accurately:

- Please complete the enclosed **postage-paid** card and return it to Laclede;
 1. *Enter the Laclede meter number located on the front of the gas meter in the area provided,*
 2. *Mark the exact position of the hands on the meter dials provided, and*
 3. *Fill in the date and your daytime telephone number.*
- You may also, at your option, order a supply of customer reading cards to allow you to read your meter each month and provide us with a reading to be used for your bill **until you receive a new device**. To order customer read cards, simply complete the enclosed card, as described above, mark the box entitled "Customer Read Cards" and return the postage-paid card to Laclede.

We appreciate your cooperation in responding to this request and apologize for the inconvenience.



314-621-6960

9-22-05 LNE

Schedule B

Schedule C

Proprietary

In Its

Entirety

Schedule D

Highly Confidential

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