

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTALL TESTIMONY

OF

CAROL GAY FRED

LACLEDE GAS COMPANY

CASE NO. GC-2006-0318

*Jefferson City, Missouri
September 2006*

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

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

AFFIDAVIT OF CAROL GAY FRED

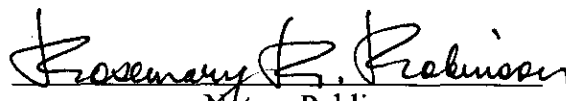
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Carol Gay Fred, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 7 pages to be presented in the above case; that the answers in the foregoing Surrebuttal 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.



Carol Gay Fred

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



Notary Public

My commission expires 9-23-2008

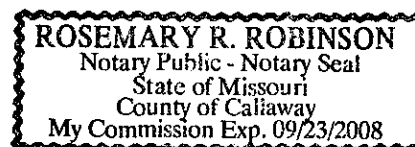


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1 A. I will be addressing issues raised in the rebuttal testimony of James A. Fallert,
2 Laclede Gas Company, regarding estimated bill concerns in context, absence of harm,
3 rule violations and Laclede's recommendations.

4 **Estimated Bill Concerns In Context**

5 Q. In Mr. Fallert's rebuttal testimony, he begins by addressing putting estimated
6 bill concerns in context. He addresses what led up to Laclede's generating thousands of
7 estimated bills on a monthly basis. He explains that one of the primary features of
8 Laclede's distribution system that distinguishes it from many other utilities is the high
9 proportion of customers with gas meters located inside the home or business. Mr. Fallert
10 continues to discuss various operations measures taken over the past few years and the
11 recent undertaking to install Automatic Meter Reading (AMR) devices throughout
12 Laclede's service territory. Do you agree with Mr. Fallert's testimony that the primary
13 focus regarding estimated bills should be placed on the fact that Laclede has a high
14 proportion number of inside meters and its AMR deployment?

15 A. Yes and no. I agree that over the last several years Laclede has attempted to
16 implement measures to address the billing problems associated with its high proportion of
17 inside meters, and the reduction in the number of estimated bills may be attributed to
18 Laclede's AMR installation project. However, as discussed in my direct testimony page
19 5, line 11, I don't believe these changes eliminate Laclede's responsibility to comply with
20 the Commission's rules 4 CSR 240-13.020 (2) (3) and provide written notice to all
21 affected customers. I will elaborate on this later in this testimony.

1 **Absence of Harm**

2 Q. In his rebuttal testimony, Mr. Fallert discusses "Absence of Harm", whereby
3 he basically is saying no harm, no foul. Do you agree with Mr. Fallert in his analysis?

4 A. No. Regulated utility companies are required to comply with the
5 Commission's rule. Mr. Fallert argues that there has been no harm because customers
6 have not been injured, suffered property losses or been overcharged for service or
7 otherwise been damaged by something the company has done or failed to do. I will agree
8 that customers have not been physically injured, suffered property losses or otherwise
9 been damaged, however, I cannot agree with Mr. Fallert's claim that customer's have
10 "not been overcharged for service".

11 Q. Please explain why you disagree with Mr. Fallert's point that customer's have
12 not been overcharged for service.

13 A. The Commission Consumer Services Department has received a total of 2,351
14 complaints from Laclede customers from November 1, 2005 to September 27, 2006. Of
15 the total number of complaints 1,172 have been directly related to estimated bills. Of the
16 1,172 estimated bill complaints identified, there have been 183 complaints investigated
17 by Consumer Services which resulted in the customers being overcharged. Therefore, for
18 Mr. Fallert's statement that there has been no harm is not correct.

19 Q. Mr. Fallert also discusses in his testimony that customers who have to pay a
20 catch-up bill they are not expecting are afforded an interest-free opportunity to pay for
21 past service charges over a longer period than would otherwise been the case. Do you
22 agree with Mr. Fallert's comment?

1 A. No. Mr. Fallert correctly defines the Commission's current rules and
2 Laclede's tariff when he states that both permit all requesting customers the opportunity
3 to pay any undercharges in installments, without incurring any interest charges, but he
4 fails to point out, that the operative word in his statement is "requesting."

5 Q. Can you explain your concern?

6 A. Yes, I have two concerns. First, customers who contact our office, when
7 asked if they have called Laclede to make payment arrangements, have commented on
8 several occasions that they have, but the company has told the customer that they used
9 the gas, therefore must pay for it and the Company has not offered any payment
10 arrangement. Second, Mr. Fallert states that Laclede has undertaken a number of
11 measures to address the operations and billing issues associated with having so many
12 inside meters. Laclede knew the problems associated with getting readings of its 240,000
13 inside meters. Based on the complaints that we have received, however, Laclede was not
14 prepared to deal with the billing issues that arose from the installation of AMR and has
15 not managed the transition to AMRs effectively. In other words, Laclede should have
16 taken steps to manage the problem of customers who would receive a catch-up bill and
17 that it could pose a financial burden upon the customer and have included it in its AMR
18 notice to customers that customers unable to pay the full amount due could contact the
19 company for arrangements.

20 Q. What did Laclede actually do?

21 A. The customer was sent the catch-up bill (with no explanation to the catch-up
22 bill) for the full amount due and the normal cyclical (monthly) due date.

1 **Alleged Rule Violations**

2 Q. Ms. Fred, Mr. Fallert states that the estimate-dependent billing mechanism has
3 been favorably endorsed over the years by the Commission, Public Counsel, Staff and
4 other utilities as a good thing for customers, do you agree with Mr. Fallert's statement?

5 A. No, not at all. In fact, as noted in the Report of Staff in Commission Case
6 GW-2007-0099, there have been a number of previous cases involving the Commission,
7 Public Counsel, Staff and other utilities, regarding estimated bills, AMRs and rule
8 violations, some of which are quite similar in nature to Laclede's. In fact, the Staff's
9 report referenced three specific cases (GO-95-177, GC-97-33 and GR-2000-512). In
10 addition, there are also cases GC-97-497 and GR-98-140 which dealt with billing
11 practices and estimated bills/AMR installation, respectively.

12 Q. Then do you agree with Mr. Fallert's statement that rule violations cited by
13 Public Counsel and Staff are, by and large, either based on a misinterpretation of the
14 Commission's rules and what the rules require or a misunderstanding of the actions that
15 Laclede has taken to comply with them?

16 A. I will only address Mr. Fallert's points regarding my "fundamental
17 misunderstanding" (Fallert, Rebuttal, page 28, line 15), related to Laclede's failed notice
18 procedures as initially referenced and address in my direct testimony.

19 Q. Please explain.

20 A. I disagree with Mr. Fallert claims the notice procedures conducted by Laclede
21 are steps regularly taken and in compliance with Commission rule. I disagree on the
22 basis that while the copies referenced in Schedule JAF-2 of Mr. Fallert's rebuttal
23 testimony may describe, explain and portray compliance, Mr. Fallert himself admitted

1 that there are millions of discrete actions by hundreds of employees each year. Mr.
2 Fallert also states that there are **no** assurances that each and every action is carried out
3 and that it is impossible to provide any absolute assurances.

4 Q. Ms. Fred, do you agree with Mr. Fallert there can be no absolute assurances
5 that every action is carried out?

6 A. Yes. There is no way for a utility the size of Laclede to have absolute
7 assurances that their policies and procedures are carried out every day by each employee.
8 Having said that I certainly expect Laclede to take every step necessary to train and
9 supervise its employees to assure that the Company's policies and procedures are fully
10 understood and carefully and regularly followed by its workers. I do agree with OPC
11 witness, Ms. Meisenheimer, that Laclede should have been noting that notices were either
12 mailed or left at the door on customer's account records, the meter reader route sheet or
13 any other type of Laclede work orders. This should not have been done in hindsight,
14 instead I believe it to be responsible management procedures.

15 **Recommendations**

16 Q. Ms. Fred do you still believe that penalties should be sought against Laclede?

17 A. Yes. Laclede has taken steps to better manage their call center by hiring
18 additional personnel, extending their call center hours, and added telecommunication
19 features and lines to manage a strained call load. However, in my opinion, Laclede
20 should have planned and implemented such measures before Staff had to file a Complaint
21 case. In lieu of Laclede's "extraordinary lengths over a four year period to make sure
22 that it thoroughly explored the potential technologies, vendor and options for
23 implementing such a system" (AMR system), they also had time to consider the impact

1 and necessary measures to manage anticipated customer reaction and their call center.
2 Therefore, Laclede's failures to do so until a Staff Complaint was filed has had a
3 significant impact on its customers and on the Commission staff. Staff cannot agree with
4 Laclede's claim that changes to its call center are sufficient to satisfying the Staff's
5 complaint, when in fact they should have made plans for AMR transition far before the
6 Staff complaint was filed.

7 Q. Ms. Fred at this time do you have any recommendations your would like to
8 make?

9 A. Yes. In addition to the recommendation previously made by Staff, I support
10 the modifications requested by OPC related to Staff's Count I. In addition, I would
11 recommend the following additions:

- 12 ■ Laclede be ordered to file a final AMR implementation report by June 1,
13 2007, which details the actions taken by the company to install AMRs,
14 including the number of bills adjustments made categorized by overcharge
15 and undercharge, the number of outstanding inside meters without AMR,
16 actions being taken by the company to reconcile meters without AMR,
17 number of estimated bill that continue, actions being taken to eliminate the
18 estimated bill and copies of all letters or notices utilized for any continuing
19 actions related to AMR installations, estimated bills and or billing
20 adjustments.
21
- 22 ■ the Commission keep this case open until the Commission has determined
23 that Laclede has complied with all recommendations.

24 And as previously stated in Staff's complaint:

- 25 ■ The Commission should also authorize its General Counsel to seek
26 penalties for each violation as authorized by § 386.570 and §386.600.
27

28 Q. Does this conclude your testimony?

29 A. Yes.
30