BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Tariff to Raise Natural Gas Rates.	)))	
	)	Case No. GR-2005-0284
STATE OF MISSOURI	))	
COUNTY OF COLE	)	

AFFIDAVIT

Thomas M. Imhoff, of lawful age and being first duly sworn deposes and states:

My name is Thomas M. Imhoff and I am employed by the Missouri Public Service Commission (Commission) as a member of the Commission's Energy Department Staff (Staff). I work in the Commission's Jefferson City Office and my business address is P.O. Box 360, Jefferson City, Missouri 65102.

I am providing this affidavit in support of the Stipulation and Agreement (Stipulation) that was filed regarding Laclede Gas Company's (Laclede or Company) request to increase its permanent customer rates in Case No. GR-2005-0284. The purpose of this affidavit is to state Staff's opinion that the terms of that Stipulation are just and reasonable for the provision of safe and adequate service. This affidavit addresses the following stipulation provisions:

Rate Design/Class Cost of Service – Paragraph 1	Pages 2 & 3
Tariff Modifications – Paragraphs 2 & 3	Pages 3, 4, 5 & 6
Credit Scoring – Paragraphs 2.b & 2.c	Pages 3 & 4
Gas Supply Incentive Plan – Paragraph 12	Pages 6, 7 & 8

Low Income Program – Paragraphs 13 & 14 Pages 8, 9 & 10

Stephen M. Rackers of the Auditing Staff is also providing an affidavit in support of the Stipulation that covers additional issues in this case.

Rate Design/Class Cost of Service

The terms of the Stipulation include elements of class revenues and rate design issues. In terms of rate design, the revenue increase will be equally shared between the different customer classes based on Laclede's current revenues collected from the margin (non-gas) rates. However, a small shift of $50,000 will result in a smaller increase for the transportation classes and a larger shift to the commercial and industrial classes. To put this shift into perspective, the system average increase in margin rates is approximately 4.4% while the transportation classes' increase is approximately 3.9% and the commercial and industrial classes increase is approximately 4.5%.

The rate design did not result in any changes in the customer charges for the residential and the smallest commercial and industrial (C&I) class, C&I 1. The customer charges for the other C&I classes, C&I 2 and C&I 3, were increased from $17.25 and $23.50 to $25.00 and $50.00 respectively. These changes were made to more accurately reflect the cost of the equipment needed to serve these classes. Since the three C&I classes were newly created in the last rate case, it is not surprising that as additional data became available regarding their usage characteristics, these customer charges needed to be modified. For the transportation classes, all of the increase will be collected in the customer charge and, therefore, the customer charge will increase from $1,183 to $1,473 or approximately 25%.

The average residential customer uses 961 therms of natural gas per year and will see an approximate net increase of $1.05 per month due to the change in margin rates. However, the residential IRIS surcharge will be reset to $0.00.

Tariff Modifications

The terms of the Stipulation contain changes to Laclede's tariff relating to: (1) an increase in interruptible charges for gas used by interruptible customers during interruption periods, (2) modifications of customer deposit provisions, (3) a time extension for discontinuance of service, (4) a change in the returned check charge, (5) changes in the transportation customer notice provisions and (6) changes in the Purchased Gas Adjustment (PGA) language.

The charge for gas usage during any period of interruption has increased to $2.00 per therm plus the commodity charges and the applicable PGA charges. Interruptible customers take service on an interruptible basis in order to receive lower rates. Interruptible customers should not be using firm sales customers' gas during periods when interruption is necessary. Interruption of service would typically occur when residential customers' usage increases due to cold weather. If after notification, interruptible customers use gas that is needed for firm sales customers, interruptible customers should pay a premium. The increase in the charge provides an incentive for interruptible customers to avoid using gas during periods of interruption.

Credit Scoring

The use of a credit scoring mechanism is being implemented solely on an experimental basis, and will be subject to the final Chapter 13 rulemaking currently being discussed in roundtables. The use of credit scoring replaces the current method entailing assessment of deposits on all customers who live in rental property with an approach that applies deposits to any customer only when there is a reasonable basis for doing so. Guidelines will be established for Laclede's credit scoring policy prior to implementation.

Laclede will submit data to the Staff and the Office of the Public Counsel (OPC) for review and concurrence in advance of any credit scoring implementation. Laclede will supply information on a representative assessment of how certain credit scores have correlated with previous customer payment performances. If there is a dispute between the Staff, OPC and Laclede, the dispute will be brought to the Commission for resolution.

The computation of a customer deposit of four (4) times the average bill in a twelve-month period will achieve consistency across all customer classes and will utilize Laclede's information system more efficiently. This should remove the manual process Laclede follows when computing the customer deposit at two (2) times the highest bill. It will eliminate the potential that the highest bill could reflect two months worth of usage and charges, thereby causing a customer's deposit to be four (4) times the highest actual monthly bill.

The Stipulation provides that Laclede may extend its hours of disconnection from 8:00 am to 4:00 pm, to 7:00 am to 7:00 pm or to sunset, whichever is earlier. The extension of these hours will allow Laclede the opportunity to make contact with the customer one last time, and permit the customer to pay the overdue bill and avoid disconnection. This proposal will be implemented on an experimental basis, and will be subject to compliance with the upcoming Chapter 13 final order of rulemaking that addresses the expanded hours of service disconnections. Missouri Gas Energy currently has a similar provision for expanded hours in its tariff.

The Stipulation allows Laclede to increase the number of effective days for a notice of discontinuance from eleven (11) business days to thirty (30) calendar days. This will allow Laclede the use of these notices in a more efficient manner and will account for a customer's normal billing cycle. This change allows for an effective thirty (30) day notice period before discontinuance. This should reduce the problems Laclede encounters when pursuing discontinuance of service for late paying customers. This change will also help reduce the overall number of discontinuance notices Laclede issues because more cases will be resolved in a timely manner. This proposal will also be subject to change under the upcoming Chapter 13 rulemaking.

The Stipulation allows Laclede to increase the returned check payment charge from $10 to $15. This reflects more closely the current trend relating to this activity.

The Stipulation modifies customer notice options for Laclede's transportation customers. This revision incorporates the methods of telephone, e-mails and facsimiles that would be designated as notifications to Large Volume Transportation and Sales Service customers. Laclede will be able to use these different methods of notification when such contact information is provided to Laclede from the customer. This is in addition to the current method of notice by regular mail.

The Stipulation also provides for changes to Laclede's PGA tariff that Laclede had previously agreed to in the Commission's generic PGA docket, Case No. GO-2002-452. Laclede had requested that these changes be implemented in Laclede's next general rate case. These changes will bring Laclede into compliance with the agreement reached in Case No. GO-2002-452 and be consistent with the other Local Distribution Companies in the state.

Gas Supply Incentive Plan

The Stipulation reflects the parties' agreement on a Gas Supply Incentive Plan (GSIP) for Laclede. The GSIP agreed to in this case is essentially a continuation of the currently effective GSIP that was proposed by the Office of Public Counsel in Case No. GR-2002-356. The plan was implemented in November of 2002 pursuant to the Commission-approved Stipulation and Agreement in that case. The parameters of the current plan have been modified in this Stipulation to account for the increase in the cost of natural gas. The Stipulation preserves the broad Commission review authority of Laclede's natural gas purchasing practices and provides that prudence reviews are applicable in all circumstances.

A. Current Gas Supply Incentive Plan

The current GSIP entails three tiers of natural gas costs. When natural gas costs are in the middle tier, Laclede receives an incentive. The ceiling price (top tier) is meant to reflect a price when gas costs are so high, that it is inappropriate to reward the Company. The floor price (bottom tier) is set to address a situation where prevailing prices in the market are considered generally low enough that rewards to the Company are unnecessary. For prices set between the floor and ceiling, the incentive portion of the plan provided Laclede with ten percent (10%) of any cost reductions, up to a $5,000,000 cap. Thereafter, the incentive drops to one percent (1%) of any cost reductions.

Another of the major elements of the existing GSIP includes the comparison of the supply related portion of actual natural gas costs with a benchmark of various locations where the Company can source natural gas. That benchmark reflects so-called "first-of-month" (FOM) index pricing which in turn represents a monthly market-based benchmark.

The current GSIP also integrates gains and losses from financial instruments. The GSIP applies to the total commodity cost of natural gas supplies purchased for on-system consumers, inclusive of the cost and price reductions associated with the Company's use of financial instruments. Therefore, results of hedging are incorporated into those costs that are compared to the FOM index based benchmark, although the benchmark itself is based solely on index based pricing.

The Stipulation preserves broad Commission review authority of Laclede's natural gas purchasing practices.

B. Modifications to the Current GSIP

In this proceeding, the ceiling has been updated from the existing $5.00 per MMBtu to $7.50 per MMBtu to recognize that the current natural gas market is substantially higher than the prevailing market prices when this program was originally established. The floor has been raised from $3.00 per MMBtu to $4.00 per MMBtu for a similar reason. The FOM prices for the benchmark were updated to account for the fact that certain FOM price index locations are no longer routinely published.

Staff is generally supportive of incentive programs that actually do reduce the overall delivered cost of gas to consumers. However, it is extremely difficult to design a plan for local distribution companies that balance risk and reward between the company and its customers. This plan attempts to strike this balance by setting narrow parameters that will provide incentives to Laclede to reduce natural gas cost, while limiting the impact on customers. The proposed GSIP again provides that prudence reviews are applicable in all circumstances and this Stipulation preserves the Commission's broad authority to review Laclede's natural gas purchasing practices.

The agreement also addresses Staff's other concerns by adding further enhancements to the GSIP to improve the periodically submitted monitoring and reliability reports. Monitoring report filings will simplify Actual Cost Adjustment audits and provides the Staff with more timely information regarding results of the incentive plan. These reports have been improved to help address concerns about the use of outdated index price points and documentation of the type of supply acquired.

Low-Income Program

The Stipulation provides for a low-income program. The proposed Low-Income Energy Affordability Program (Program) increases the amount currently being used for weatherization and provides a new energy-efficiency rebate program. The Program will be jointly administered by the Community Action Agencies (CAA) and the Company in the Laclede Service territory. The Program shall be funded at a total annual level of $950,000, and shall consist of the Winter Bill Payment Assistance Program and the Arrearage Repayment Program (ARP).

A. Winter Bill Payment Assistance Program

The Winter Bill Payment Assistance Program provides bill credits in the sum of $550,000 annually and shall be made available during the months of November to April to households with incomes ranging from 0% to 150% of the federal income poverty guidelines ("FPL"). To participate in the Winter Bill Payment Assistance Program, a customer must make a minimum monthly payment of $40. Credits will be provided to customers participating in this part of the Program, thereby reducing their current total winter bill.

B. Arrearage Repayment Program

The Arrearage Repayment Program (ARP) shall be funded at an annual level of $350,000, and shall be made available to households with incomes ranging from 0% to 185% of FPL. Customers who enroll in the ARP during the months of April through June will be provided the following arrearage repayment assistance.

Customers would first make a payment sufficient to reduce his or her arrearage balance by one third of the unpaid balance. Upon making this initial payment, the customer will receive an ARP credit equivalent to 15% of their arrearage balance to be paid from Program funds. Customers must pay their current monthly bill on time and in full, including a program designated required monthly arrearage amount. Customers will be provided a matching arrearage amount through the ARP. On November 1, any customer who has successfully remained current in the ARP will receive an additional program credit to be applied to their remaining arrearage balance in the amount of 15% of their original arrearage balance.

Customers not entering the ARP during the April-June timeframe will not qualify for the upfront ARP credits or the November 1 credit, but would continue to qualify for the dollar-for-dollar matching from Program funds at the minimum levels set forth by the Program. The customer who is successfully participating in the ARP will not incur late payment charges on the outstanding arrearage balance amounts covered under the program. The Bill Payment Assistance Program and the ARP will not affect any of the provisions of the Cold Weather Rule, including the initial payment requirements.

Credits will be provided to customers participating in this part of the Program, which will help in the reduction of arrearages on a customer's bill.

FURTHER, Affiant says not.

Thomas M. Imhoff

Thomas M. Imhoff

Subscribed and sworn to before me, the undersigned notary public this 9th day of September, 2005.

Dawn L. Hake
Notary Public

My Commision Expires:

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

DAWN L. HAKE
My Commission Expires
March 16, 2009
Cole County
Commission #05407643