

*Exhibit No.:*  
*Issues:* Reconnect Charges,  
PGA Tariff Language,  
Customer Billing  
*Witness:* Thomas M. Imhoff  
*Sponsoring Party:* MO PSC Staff  
*Type of Exhibit:* Direct Testimony  
*Case No.:* GR-99-315

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**DIRECT TESTIMONY**

**OF**

**THOMAS M. IMHOFF**

**FILED**

JUN 28 1999

Missouri Public  
Service Commission

**LACLEDE GAS COMPANY**

**CASE NO. GR-99-315**

Jefferson City, Missouri  
June 1999

1                                 **DIRECT TESTIMONY**  
2   **OF**  
3                                 **THOMAS M. IMHOFF**  
4                                 **LACLEDE GAS COMPANY**  
5                                 **CASE NO. GR-99-315**

7             Q.     Please state your name and business address.

8             A.     Thomas M. Imhoff, P.O. Box 360, Jefferson City, Missouri 65102.

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

10            A.     I am a Regulatory Auditor IV with the Missouri Public Service  
11 Commission (Commission).

12            Q.     Please describe your educational background.

13            A.     I attended Southwest Missouri State University at Springfield, Missouri,  
14 from which I received a Bachelor of Science degree in Business Administration, with a  
15 major in Accounting, in May 1981. In May 1987, I successfully completed the Uniform  
16 Certified Public Accountant (CPA) examination and subsequently received the CPA  
17 certificate. I am currently licensed as a CPA in the state of Missouri.

18            Q.     What has been the nature of your duties with the Commission?

19            A.     From October of 1981 to December 1997, I worked in the Accounting  
20 Department of the Commission, where my duties consisted of directing and assisting with  
21 various audits and examinations of the books and records of public utilities operating  
22 within the state of Missouri under the jurisdiction of the Commission. On January 5,

Direct Testimony of  
Thomas M. Imhoff

1 1998, I assumed my current position of Regulatory Auditor IV in the Tariffs/Rate Design  
2 section of the Gas Department where my duties consist of analyzing applications,  
3 reviewing tariffs and making recommendations based upon those evaluations.

4 Q. Have you previously filed testimony before this Commission?

5 A. Yes. A list of cases in which I have filed testimony before this  
6 Commission is attached as Schedule 1 to my direct testimony.

7 Q. With reference to Case No. GR-99-315, have you made an examination  
8 and study of the material filed by Laclede Gas Company (Laclede or Company) relating  
9 to its proposed increase in gas rates?

10 A. Yes, I have.

11 Q. What is the purpose of your direct testimony?

12 A. The purpose of my direct testimony is to present the Commission Staff's  
13 (Staff) position regarding Laclede's reconnection rate tariff change, purchased gas  
14 adjustment (PGA) tariff language pertaining to off-system sales and the analysis  
15 performed by Staff on Laclede's customer billings.

16 **RESIDENTIAL RECONNECTION TARIFF CHANGE**

17 Q. Has Laclede proposed a change in their residential reconnection charge?

18 A. Yes. Laclede is proposing to change its residential reconnection charge  
19 (Tariff Sheet No. 30) from \$43.00 to \$54.00.

20 Q. Is it important for the reconnection charge to accurately reflect what it  
21 costs to provide this service?

1           A.     Yes, it is important that the reconnection charge reflect Laclede's cost of  
2 performing this service. The individual customers causing this service to be performed  
3 should be responsible for its associated costs.

4           Q.     Does Staff agree with this proposal?

5           A.     After careful consideration of Laclede's proposed change, Staff does not  
6 object to the proposed change. The proposed change in the residential reconnection  
7 charge reflects Laclede's current costs to perform this additional service such as labor,  
8 administrative and general, vehicles and benefits. The \$43.00 residential reconnection  
9 charge has remained unchanged since September 1, 1992. Staff adjustment S-12.5 is my  
10 adjustment of revenues to reflect the usage of the proposed \$54.00 residential  
11 reconnection charge rate.

12 **Purchased Gas Adjustment (PGA) Tariff Language for Off-System Sales**

13           Q.     Is Staff proposing to implement clarifying tariff language relating to off-  
14 system sales?

15           A.     Yes.

16           Q.     Why is Staff proposing to implement clarifying off-system sales tariff  
17 language in Laclede's PGA?

18           A.     This is being done to explicitly describe the treatment of Laclede's off-  
19 system sales revenues in its PGA Clause. This is necessary in the event the Commission  
20 does not renew Laclede's gas supply incentive plan. The inclusion of this language will  
21 specifically define how off-system sales revenues are to be treated and accounted for. In  
22 his direct testimony in this case, Staff witness Michael J. Wallis of the Commission's  
23 Procurement Analysis Department will explain and provide the rationale for the Staff's

1 proposed implementation of clarifying tariff language provisions in Laclede's PGA  
2 tariffs.

3 Q. What tariff language is Staff proposing?

4 A. Staff is proposing two tariff language changes. The first is to add a  
5 sentence at the end of tariff sheet No. 15 paragraph (A) that reads:

6 **The total Purchased Gas Costs shall be credited for all**  
7 **profits from off-system sales transactions.**

8 The second change would be to modify language on tariff sheet No. 21 paragraph  
9 (5) to read;

10 **The Deferred Purchased Gas Cost Account shall be**  
11 **credited for those revenues received by the Company**  
12 **for the release of pipeline transmission or leased**  
13 **storage capacity to another party. Such revenues will**  
14 **be allocated to firm sales, including Large Volume**  
15 **Transportation and Sales Service (LVTSS), and firm**  
16 **transportation customers, consistent with the**  
17 **allocation of capacity reservation charges set forth in**  
18 **Section A.2.b of Laclede's tariff. The Deferred**  
19 **Purchased Gas Cost Account shall be credited for**  
20 **those revenues received by the Company for all off-**  
21 **system sales. For the purpose of allocating these**  
22 **revenues to the Deferred Purchased Gas Cost**  
23 **Accounts, 50% of the foregoing net revenues shall be**  
24 **deemed gas supply related and allocable to firm sales**  
25 **customers only and 50% shall be deemed**  
26 **transportation capacity related and allocable to both**  
27 **firm sales customers and firm transportation**  
28 **customers. This allocation is consistent with the**  
29 **allocation of capacity reservation charges set forth in**  
30 **Section A.2.b., unless the net revenues from off-**  
31 **system sales do not include the provision of**  
32 **transportation service, in which case 100% of such**  
33 **net revenues shall be allocable to firm sales**  
34 **customers."**

1 **BILLING REVIEW**

2 Q. Did Staff perform an analysis of Laclede's residential customer billing  
3 records?

4 A. Yes. This was done to evaluate Laclede's overall compliance with rates in  
5 the Company's tariff and spot check for possible billing errors. Doing a review in the  
6 context of a rate case will help identify billing problem areas at a time when corrective  
7 measures may be implemented.

8 Q. Was Staff able to perform an adequate review of Laclede's customer  
9 billings?

10 A. Yes. Staff performed two separate analyses of Laclede's customer billing  
11 records. The first customer billing analysis applies to bills rendered from Laclede's last  
12 rate case, Case No. GR-98-374 and the second customer billing analysis pertain to  
13 customer billings in the current rate case. These two analyses represent two different time  
14 periods.

15 Q. Why is the Staff filing testimony pertaining to a billing from Laclede's last  
16 rate case?

17 A. Due to Laclede's delay in supplying the customer information for Staff's  
18 review in Case No. GR-98-374, any Staff position about the accuracy or compliance of  
19 Laclede's customer billings unfortunately could not be presented in that case. Therefore,  
20 Staff will present its findings relating to customer billings from the prior case in the  
21 context of this case.

22 Q. How did Staff perform its review of Laclede's customer billings relating  
23 to GR-98-374?

Direct Testimony of  
Thomas M. Imhoff

1           A.     Staff recalculated and reviewed approximately 24,700 bills. The customer  
2 bills reviewed by Staff represent a sample of Laclede's residential customers for a ten-  
3 month test year period of May 1997 through February 1998. These months were chosen  
4 because it coincided with the Staff's test year in GR-98-374 and changes in Laclede's  
5 PGA factors. The residential customer bills were reviewed by Staff for tariff compliance,  
6 accuracy, and other types of billing items.

7           Q.     How did Staff review and recalculate the residential customer billing?

8           A.     Staff downloaded the residential customer billing information supplied by  
9 Laclede into a readable electronic format. Staff then recalculated the residential customer  
10 billings using the Commission's approved tariff for Laclede, and thereafter, cross-  
11 checked the recalculated residential billing information with the Laclede residential  
12 billing records.

13          Q.     What were the results of Staff's review?

14          A.     Staff found that approximately 1% of the residential customer bills  
15 reviewed reflected a different amount billed than what Staff calculated.

16          Q.     Is the 1% difference in residential customer billings reasonable?

17          A     Relative to previous residential customer billing reviews of other  
18 Commission regulated gas utilities; the 1% rate is reasonable. However, the goal is to  
19 bring this number as close to zero as possible.

20          Q.     Does the 1% differences in residential customer billings imply billing  
21 errors exist?

22          A     No.

Direct Testimony of  
Thomas M. Imhoff

1 Q. What do you believe the major cause of the 1% residential customer  
2 billing difference to be?

3 A. The major cause of the 1% difference in residential customer billing is due  
4 to the number of days in the customer's bill. These bills reflect some rebills that require  
5 Laclede to assign the customer's usage over many months (i.e., greater than 36 days).  
6 This makes the verification process extremely difficult due to Laclede's frequent changes  
7 of its PGA factors during this time frame. Another reason for some of the differences  
8 relates to rounding; however, there may be other causes such as difference in calculation  
9 methods, software and programs used by Staff versus Laclede.

10 Q. Was Staff able to verify that these bills were calculated correctly?

11 A. Staff and Laclede reviewed these billing discrepancies together and it was  
12 determined that these customers were in fact properly billed. The results of this review  
13 (Case No. GR-98-374) determined the sample size of customer billings to be used by  
14 Staff in reviewing the information in Case No. GR-99-315.

15 Q. What size sample did Staff utilize in this case (GR-99-315) to determine  
16 the number of customer billings to be reviewed?

17 A. Staff witness James A. Gray of the Gas Tariffs/Rate Design section  
18 supplied me with a sample size of 97 customer billings. However, I reviewed for tariff  
19 compliance, 375 customer billings in the months of December 1998 and February 1999.

20 Q. Why did you sample a larger number of customers' bills than that  
21 recommended by Staff witness Gray?



Direct Testimony of  
Thomas M. Imhoff

1           A.     The 97 customer billings recommended by Staff witness Gray reflect the  
2 minimum number of billings to review. I analyzed a greater number of customer billings  
3 in order to determine a greater assurance of tariff compliance.

4           Q.     Why did you choose the months of December, 1998 and February 1999  
5 for your sample?

6           A.     These months were chosen because they were within Staff's test year and  
7 they reflected changes in Laclede's PGA factors. The possibility of billing errors  
8 increases during the month in which changes in PGA factors occur. Laclede's PGA  
9 factors changed during these months.

10          Q.     What were the results of Staff's analysis of the customer billings sample  
11 for this case?

12          A.     Staff found that approximately 2.5% of the customer bills reviewed  
13 reflected a different amount billed than what Staff calculated.

14          Q.     Is the 2.5% difference in customer billings reasonable?

15          A.     Compared to Laclede's previous billing analysis, the 2.5% is higher, but  
16 relative to other customer billing reviews of other regulated gas utilities' customer billing  
17 records, the 2.5% rate is reasonable.

18          Q.     Does the 2.5% difference between Staff and Laclede imply billing errors?

19          A.     No.

20          Q.     What might be the causes for the 2.5% billing discrepancies?

21          A.     The causes for these discrepancies are identical to the problems  
22 encountered by Staff from Laclede's previous billing records analysis.

Direct Testimony of  
Thomas M. Imhoff

1           Q.     How does Staff propose to determine if these bills were calculated  
2 correctly?

3           A.     Staff and Laclede are currently reviewing these billing discrepancies  
4 individually. If it is determined that the customer was in fact improperly billed, Laclede  
5 has agreed to take corrective measures regarding the affected customer.

6           Q.     Does this conclude your Direct Testimony?

7           A.     Yes, it does.

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**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the matter of Laclede Gas Company's )  
Tariff Sheets Designed to Increase Rates ) Case No. GR-99-315  
for Gas Service in the Company's Missouri )  
Service Area. )

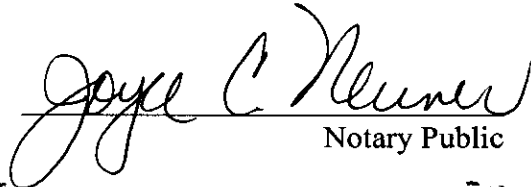
**AFFIDAVIT OF THOMAS M. IMHOFF**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

Thomas M. Imhoff, is, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 9 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

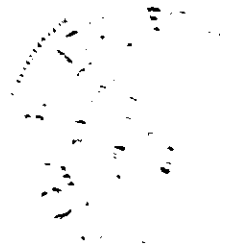
  
THOMAS M. IMHOFF

Subscribed and sworn to before me this 25<sup>th</sup> day of June 1999.

  
Notary Public

Joyce C. Neuner  
Notary Public, State of Missouri  
County of Osage  
My Commission Exp. 06/18/2001

My Commission Expires: \_\_\_\_\_



LACLEDE GAS COMPANY  
CASE NO. GR-99-315

Summary of Cases in which prepared testimony was presented by:  
THOMAS M. IMHOFF

<u>Company Name</u>	<u>Case No.</u>
Terre-Du-Lac Utilities	SR-82-69
Terre-Du-Lac Utilities	WR-82-70
Bowling Green Gas Company	GR-82-104
Atlas Mobilfone Inc.	TR-82-123
Missouri Edison Company	GR-82-197
Missouri Edison Company	ER-82-198
Great River Gas Company	GR-82-235
Citizens Electric Company	ER-83-61
General Telephone Company of the Midwest	TR-83-164
Missouri Telephone Company	TR-83-334
Mobilpage Inc.	TR-83-350
Union Electric Company	ER-84-168
Missouri-American Water Company	WR-85-16
Great River Gas Company	GR-85-136
Grand River Mutual Telephone Company	TR-85-242
ALLTEL Missouri, Inc.	TR-86-14
Continental Telephone Company	TR-86-55
General Telephone Company of the Midwest	TC-87-57
St. Joseph Light & Power Company	GR-88-115
St. Joseph Light & Power Company	HR-88-116
Camelot Utilities, Inc.	WA-89-1
GTE North Incorporated	TR-89-182
The Empire District Electric Company	ER-90-138
Capital Utilities, Inc.	SA-90-224
St. Joseph Light & Power Company	EA-90-252
Kansas City Power & Light Company	EA-90-252
Sho-Me Power Corporation	ER-91-298
St. Joseph Light & Power Company	EC-92-214
St. Joseph Light & Power Company	ER-93-41
St. Joseph Light & Power Company	GR-93-42
Citizens Telephone Company	TR-93-268
The Empire District Electric Company	ER-94-174
Missouri-American Water Company	WR-95-205
Missouri-American Water Company	SR-95-206
Union Electric Company	EM-96-149
The Empire District Electric Company	ER-97-81
Missouri Gas Energy	GR-98-140
Laclede Gas Company	GR-98-374