

*Exhibit No.:*  
*Issues:* Large Customer  
Annualization  
*Witness:* Anne E. Ross  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Direct Testimony  
*Case No.:* GR-2004-0209  
*Date Testimony Prepared:* April 15, 2004

**MISSOURI PUBLIC SERVICE COMMISSION**  
**UTILITY SERVICES DIVISION**

**DIRECT TESTIMONY**

**OF**

**ANNE E. ROSS**

**FILED**

**JUL 13 2004**

**Missouri Public  
Service Commission**

**MISSOURI GAS ENERGY**

**CASE NO. GR-2004-0209**

*Jefferson City, Missouri*  
*April 2004*

**Exhibit No.** 8-35  
**Case No(s).** GR-2004-0209  
**Date** 6-21-04 **Rptr** \_\_\_\_\_

835

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

In the Matter of Missouri Gas Energy's )  
Tariff Sheets Designed to Increase Rates )  
for Gas Service in the Company's )  
Missouri Service Area )

Case No. GR-2004-0209

**AFFIDAVIT OF ANNE E. ROSS**

STATE OF MISSOURI     )  
                                      ) ss  
COUNTY OF COLE     )

Anne E. Ross, of lawful age, on her oath states: that she has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 4 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct 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.

  
Anne E. Ross

Subscribed and sworn to before me this 14<sup>th</sup> day of April, 2004.

  
Notary Public

My commission expires \_\_\_\_\_  
DAWN L. HAKE  
Notary Public - State of Missouri  
County of Cole  
My Commission Expires Jan 9, 2005

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**DIRECT TESTIMONY**

**OF**

**ANNE E. ROSS**

**MISSOURI GAS ENERGY**

**CASE NO. GR-2004-0209**

Q. Please state your name and business address.

A. Anne E. Ross, P.O. Box 360, Jefferson City, Missouri 65102.

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

A. I am a Regulatory Economist with the Missouri Public Service Commission  
(Commission).

Q. Please describe your educational background.

A. I graduated from the University of Missouri – Columbia in 1986 with an  
undergraduate degree in Business Administration. I graduated from the University of  
Missouri – Columbia, with a Masters of Business Administration in 1989.

Q. Please describe your work experience.

A. I have been employed with the Commission as a Regulatory Economist since  
1989. I have also been an adjunct professor at Columbia College since 1989.

Q. What has been the nature of your duties while in the employ of the  
Commission?

A. The general nature of my duties at the Commission have included Class Cost  
of Service, Rate Design, Large Customer Analysis, and the design of programs for lower  
income natural gas customers.

Q. Have you previously filed testimony before this Commission?

Direct Testimony of  
Anne E. Ross

1 A. Yes. Attachment 1 is a list of the gas cases in which I have filed testimony.

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

3 A. The purpose of my direct testimony is to describe the revenue adjustments that  
4 the Staff is proposing for the Company's Large Volume Service customers.

5 **ADJUSTMENTS TO LARGE VOLUME CUSTOMERS**

6 Q. What types of modifications are made to Large Volume Service (LVS)  
7 customers' test year usage?

8 A. Typical adjustments include adjustments for customers coming on or going off  
9 the system during the test year; for accounts that take service on more than one tariff during  
10 the year; and weather normalization to adjust for abnormal weather during the test year.

11 Q. What is done if a customer comes on the system during the test year?

12 A. In this instance, billing units and revenues are increased to reflect a full 12  
13 months of usage.

14 Q. Why?

15 A. To adjust the test year so that it reflects the addition of that customer on a  
16 going-forward basis.

17 Q. What is done if a customer goes off the system during the test year?

18 A. In that case, the customer's billing units, and the associated revenue, is  
19 decreased, since the customer is no longer on the system, and will not provide any revenue for  
20 the Company.

21 Q. What type of adjustment is made if a customer takes service under two or more  
22 rate classes during the test year?

Direct Testimony of  
Anne E. Ross

1           A.     This is called rate-switching. In this case, the customer's usage and revenue is  
2 removed from the original class, and added to that of the new class, as it is assumed that, in a  
3 normal year, the customer will take service under only one tariff or rate class.

4           Q.     Why would customers switch from one rate to another?

5           A.     The nature of a customer's operations may change, and taking service under a  
6 different tariff is now more appropriate, or is even required by the Company's tariff, or the  
7 customer may find it to be economical to switch to another customer class.

8           Q.     Are you sponsoring Staff adjustments to reflect the revenue effect of LVS  
9 customers coming on/going off the MGE system and rate-switching?

10          A.     Yes. Adjustment S-7.4 to the Company's revenue requirement reflects the  
11 revenue effect to the LVS class revenues resulting from customers switching to and from the  
12 Company's LVS tariff. Adjustment S-2.17 adjusts the Small General Service and Large  
13 General Service class revenues for the effects of customer rate-switching between these  
14 classes and the Large Volume class.

15          Q.     Are the customers in the Large Volume Service tariff class weather-sensitive?

16          A.     Yes. Schedule 2 shows the aggregate usage of these customers plotted against  
17 heating degree days, for the Kansas City, Joplin and St. Joseph areas. As can be seen from  
18 the graphs, these customers' usage shows a linear response to weather, with usage increasing  
19 as the outside temperature decreases.

20          Q.     Are you making weather adjustments for the Large Volume Service  
21 customers?

22          A.     Yes. Adjustment S-7.5 reflects the weather adjustment to the Company's  
23 revenue requirement for the Large Volume Service customers.

Direct Testimony of  
Anne E. Ross

1           Q.     How was this adjustment determined?

2           A.     Using individual customer records supplied by the Company, I accounted for  
3 the effect of customer rate-switching on volumes and customer numbers. I also removed the  
4 records of any customers who were not in the LVS customer class as of December 31, 2003.  
5 Finally, I removed one large customer from the St. Joseph records, as it appeared to be a  
6 customer that peaks in the summer. The remaining records were used to calculate a weather-  
7 normalization adjustment to the LVS class revenues.

8           Q.     Does this conclude your direct testimony?

9           A.     Yes.

# CASES FILED BEFORE COMMISSION

<u>CASE NO.</u>	<u>COMPANY</u>
GR-90-50	Kansas Power and Light
GR-90-120	Laclede Gas Company
GR-90-152	Associated Natural Gas
GR-90-198	Missouri Public Service Gas
GR-91-249	United Cities Gas Company
GR-91-291	Kansas Power and Light
GR-92-165	Laclede Gas Company
GR-93-42	St. Joseph Light and Power - Gas
GR-93-47	United Cities Gas Company
GR-93-172	Missouri Public Service Gas
GR-93-240	Western Resources
GR-94-220	Laclede Gas Company
GA-94-127	Tartan Energy Company
GR-95-160	United Cities Gas Company
GR-96-193	Laclede Gas Company
GR-96-285	Missouri Gas Energy
GR-99-42	St. Joseph Light and Power - Gas
GR-2002-356	Laclede Gas Company
GR-2003-517	AmerenUE
GR-2004-0072	Aquila Networks



# Large Customer Response to Weather

Missouri Gas Energy  
Rate Case No. GR-2004-0209

