

Exhibit No.:
Issue: Rate Case Expenses
Witness: Paula Mapeka
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: GR-2006-0422
Date Testimony Prepared: December 11, 2006

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

PAULA MAPEKA

FILED²

FEB 07 2007

Missouri Public
Service Commission

MISSOURI GAS ENERGY

CASE NO. GR-2006-0422

103

Jefferson City, Missouri
December 2006

Staff
Exhibit No. 124
Case No(s) GR-2006-0422
Date 1-11-07 Rptr AC

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-2006-0422

AFFIDAVIT OF PAULA MAPEKA

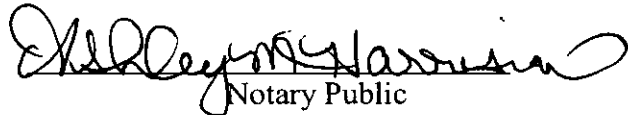
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

Paula Mapeka 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 3 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 and correct to the best of her knowledge and belief.



Paula Mapeka

Subscribed and sworn to before me this 8th day of December 2006.



Notary Public



ASHLEY M. HARRISON
My Commission Expires
August 31, 2010
Cole County
Commission #06888978

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2 **SURREBUTTAL TESTIMONY**

3 **OF**

4 **PAULA MAPEKA**

5 **MISSOURI GAS ENERGY**

6 **CASE NO. GR-2006-0422**

7 Q. Please state your name and business address.

8 A. Paula Mapeka, P.O. Box 360, Jefferson City, Missouri 65102.

9 Q. Are you the same Paula Mapeka who has previously filed direct and rebuttal
10 testimony in this proceeding?

11 A. Yes I am.

12 **EXECUTIVE SUMMARY**

13 Q. What is the purpose of your surrebuttal testimony?

14 A. The purpose of this surrebuttal testimony is to address the rebuttal testimony of
15 Missouri Gas Energy (MGE) witness Mr. Michael R. Noack regarding rate case expenses.

16 **RATE CASE EXPENSES**

17 Q. Mr. Noack on pages 9 and 10 of his rebuttal testimony, addresses MGE's
18 requested recovery of the unamortized portion of the rate case expense allowed in MGE's
19 previous rate case, Case No. GR-2004-0209. Do you agree with Mr. Noack's representations
20 that the Commission's Report and Order from Case No. GR-2004-0209 entitles MGE to
21 include in this current rate proceeding the unamortized balance of rate case expense incurred
22 in the Company's last rate case?

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1 A. No. Nowhere in the referenced Report and Order does it authorize or even
2 contemplate the recovery of MGE's previous rate case expense in the Company's next rate
3 proceeding. It has been the Commission's long standing practice to include in rate case
4 expense the *current* expenses incurred by the Company for the *current* case.

5 Q. Did any of the parties in Case No. GR-2004-0209 advocate allowing the
6 remaining unamortized balance of rate case expense incurred in Case No. GR-2004-0209 to
7 be included as rate case expense in MGE's next rate case?

8 A. Based on my review of MGE's last rate case, no party suggested that MGE be
9 allowed to recover the remaining unamortized balance of rate case expense in MGE's next
10 rate case.

11 Q. Specifically, why does the Staff recommend the use of normalized¹ rate case
12 expense?

13 A. Staff recommends recovery in rates of normalized rate case expense only on a
14 prospective basis. Staff believes that it is inappropriate to allow specific recovery in rates of
15 amounts related to past rate proceedings.

16 Q. What has been the Commission's past policy concerning the recovery rate case
17 expense?

18 A. The Commission in a number of past proceedings has agreed with Staff's
19 normalized rate case expense methodology, specifically in the Report and Order in Case No.
20 WR-83-14 (Missouri Cities Water²), the Commissions stated that:

21 Rate case expenses are not extraordinary expenses which should be
22 amortized, but are ordinary expenses which should be included in a

¹ Normalization are adjustments to remove abnormal expense and revenue levels from a test year for the purpose of setting prospective rate levels.

² Missouri Cities Water, 26 Mo. P.S.C.(N.S.) 1 1983.

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1 Company's cost of service at a reasonable level calculated upon
2 historic data, adjusted if necessary for known and measurable changes.

3 The order also went on to state the following:

4 To provide for the recovery of past rate case expenses, as proposed by
5 the company, could constitute retroactive ratemaking, which is
6 prohibited by State ex rel. Utilities Consumer Council of Missouri v.
7 Public Service Commission of Missouri, 585 S.W.2d 41, 59 (Mo. En
8 banc 1979). See also Martigney creek Sewer Company, Mo. PSC Case
9 No. SR-83-166 (Report and Order issued March 4, 1983).

10 Q. Does this conclude your surrebuttal testimony?

11 A. Yes, it does.