

Exhibit No.: 106.5

Issues: Revenue Requirement

Witness: Anne E. Ross

Sponsoring Party: MO PSC Staff

Type of Exhibit: Direct Testimony

Case No.: GR-2006-0422

Date Testimony Prepared: October 13, 2006

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

ANNE E. ROSS

MISSOURI GAS ENERGY

CASE NO. GR-2006-0422

Jefferson City, Missouri
October 2006

FILED²

FEB 07 2007

Missouri Public
Service Commission

STAFF Exhibit No. 106.5
Case No(s). GR-2006-0422
Date 1-9-07 Rptr. pf

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

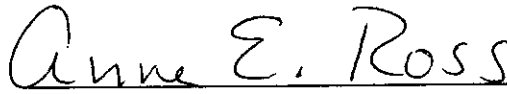
In the matter of Missouri Gas Energy's)
Tariff Sheets Designed to Increase Rates)
for Gas Service in the Company's)
Missouri Service Area)

Case No. GR-2006-0422

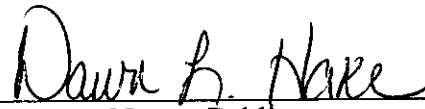
AFFIDAVIT OF ANNE E ROSS

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 12th day of October, 2006.


Notary Public



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

My commission expires _____

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OF

ANNE E. ROSS

MISSOURI GAS ENERGY

CASE NO. GR-2006-0422

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DIRECT TESTIMONY
OF
ANNE E. ROSS
MISSOURI GAS ENERGY
CASE NO. GR-2006-0422

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?

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

EXECUTIVE SUMMARY

Q. What is the purpose of your direct testimony?

A. I am presenting the Staff's recommended adjustments to the Small General Service (SGS), and Large General Service (LGS) class revenues resulting from customers switching between one of these rate classes and the Large Volume Service (LVS) rate class, and the corresponding adjustment to LVS rate revenues. I am also presenting the proposed adjustments to the LVS revenues resulting from customers coming on or leaving the MGE system, as well as the revenue effect of normalizing weather and usage for the test year.

ADJUSTMENTS TO RATE REVENUES TO REFLECT RATE-SWITCHING

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

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

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

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

Q. Are you sponsoring Staff adjustments to reflect the revenue effect of customers switching between the LVS class and other rate classes?

A. Yes. Adjustment S-7.3 reflects the revenue effect to the LVS class revenues resulting from customers switching to and from the Company's LVS tariff. Adjustment S-

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2.10 adjusts the Small General Service class revenues for the effect of customer rate-switching between this class and the LVS class; Adjustment S-3.9 adjusts the Large General Service (LGS) class' revenues for rate-switching between LVS and LGS.

ADJUSTMENTS TO LVS RATE REVENUES TO REFLECT CUSTOMERS

COMING ON/GOING OFF THE MGE SYSTEM

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

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

Q. Why?

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

Q. Are you sponsoring a Staff adjustment to the LVS class' revenue to reflect customers coming on or going off the MGE system?

A. Yes. Adjustment S-7.2 reflects the effect on the LVS class revenues resulting from customers coming on and going off the MGE system during the test year ended December 31, 2005.

ADJUSTMENTS TO LVS RATE REVENUES TO REFLECT

WEATHER NORMALIZED USAGE

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

A. Yes. For each of the three areas, Kansas City, Joplin and St. Joseph, I graphically compared the aggregate usage of these customers plotted against heating degree

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1 days. These customers' usage shows a linear response to weather, with usage increasing as
2 the outside temperature decreases.

3 Q. Are you making weather adjustments for the Large Volume Service usage and
4 revenues?

5 A. Yes. Adjustment S-7.4 reflects the weather adjustment to the Company's
6 revenue requirement for the Large Volume Service customers based on linear regression
7 analysis.

8 Q. How was this adjustment determined?

9 A. Using individual customer records supplied by the Company, I accounted for
10 the effect of customer rate-switching on volumes and customer numbers. I also removed the
11 records of any customers who were not in the LVS customer class as of December 31, 2005.
12 The remaining records were used to calculate a weather-normalization adjustment to the LVS
13 class revenues.

14 Q. Does this conclude your direct testimony?

15 A. Yes.

CASES FILED BEFORE MO PUBLIC SERVICE 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-94-0220	Laclede Gas Company
GA-94-0127	Tartan Energy Company
GR-95-0160	United Cities Gas Company
GR-96-0193	Laclede Gas Company
GR-96-0285	Missouri Gas Energy
GR-99-0042	St. Joseph Light and Power - Gas
GR-2002-0356	Laclede Gas Company
GR-2003-517	AmerenUE - Gas
GR-2004-0072	Aquila Networks - Gas
GR-2004-0209	Missouri Gas Energy
GR-2005-0284	Laclede Gas Company
GR-2006-0387	Atmos Energy Corporation