

FILED<sup>2</sup>

DEC 18 2009

Missouri Public  
Service Commission

*Exhibit No.:*

*Issues:*

*Witness:*

*Sponsoring Party:*

*Type of Exhibit:*

*Case No.:*

*Date Testimony Prepared:*

*Rate of Return, Capital Structure*

*David Murray*

*MoPSC Staff*

*True-Up Rebuttal Testimony*

*GR-2009-0355*

*December 3, 2009*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**TRUE-UP REBUTTAL TESTIMONY**

**OF**

**DAVID MURRAY**

**MISSOURI GAS ENERGY,**  
a Division of Southern Union Company

**CASE NO. GR-2009-0355**

*Jefferson City, Missouri*  
*December 2009*

Exhibit No. 112  
Case No(s). GR-2009-0355  
Date 12/8/09 Rptr AM

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True-Up Rebuttal Testimony  
of David Murray

1           A.     Mr. Noack maintains that MGE is not requesting a true-up of capital structure  
2 and embedded costs of capital because the Company's rate-of-return (ROR) witness  
3 recommended using a hypothetical capital structure and embedded costs.

4           Q.     Should the type of methodology used to estimate a fair ROR be the primary  
5 driver in determining whether to true-up ROR costs?

6           A.     No. Costs of capital and capital structures continually change due to changes  
7 in the capital markets. This point is equally true regardless of whether a party advocates for a  
8 hypothetical capital structure or an actual company-specific capital structure. If the parties  
9 agreed to perform a general true-up of cost of service items in this case, then the ROR costs  
10 (both capital structure and debt rates) should be trued-up as well.

11          Q.     Is there a specific reason in this case that emphasizes the need to evaluate ROR  
12 information through the true-up date?

13          A.     Yes, because short-term debt costs are generally more volatile than long-term  
14 capital costs and the revenue requirement difference between the Staff's trued-up cost of  
15 short-term debt and MGE's updated cost of short-term debt is material in this case  
16 (approximately \$1.5 million). For these reasons, the use of the true-up period in evaluating  
17 evidence on the current cost of short-term debt is very valuable.

18          Q.     What did the evidence on the cost of short-term debt that you provided in your  
19 true-up direct testimony prove?

20          A.     It proves that natural gas companies continue to benefit from an environment  
21 of low cost of short-term debt. This should be reflected in MGE's cost of service.

22          Q.     Does this conclude your prepared true-up rebuttal testimony?

23          A.     Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of Missouri Gas Energy and Its )  
Tariff Filing to Implement a General Rate )  
Increase for Natural Gas Service )  
)

Case No. GR-2009-0355

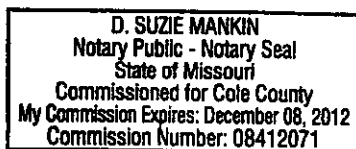
**AFFIDAVIT OF DAVID MURRAY**

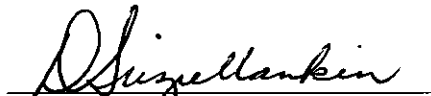
STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

David Murray, of lawful age, on his oath states: that he has participated in the preparation of the foregoing True-Up Rebuttal Testimony in question and answer form, consisting of 2 pages to be presented in the above case; that the answers in the foregoing True-Up Rebuttal 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.

  
\_\_\_\_\_  
David Murray

Subscribed and sworn to before me this 3<sup>rd</sup> day of December, 2009.



  
\_\_\_\_\_  
Notary Public