PUBLIC COUNSEL DATA REQUEST TO STAFF **NUMBER 10**

CASE NO.: GR-2009-0355

REQUESTED BY: MARC POSTON

REQUESTED FROM: Dan Beck

DATE OF REQUEST: SEPTEMBER 25, 2009

INFORMATION REQUESTED: Do you believe that under a traditional rate design, that all low-volume residential customers of MGE underpay their share of customer costs and demand costs? Please provide the basis for your answer including all cost studies and other analyses.

THIS RESPONSE INCLUDES:

☑ Printed Materials ___ Total Pages ☐ Magnetic Media _ Number of disks or tapes

Please number each section of multiple pages as: File formats for data: _____

# of Total #

FILED[2]

NOV 0 9 2009

Missouri Public Service Commission

LIST PRINTED MATERIALS AND/OR FILES INCLUDED:

Answer is attached

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present known facts to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

DATE RECEIVED: _____ SIGNED BY: Dan Beck

TITLE: Economic Analysis Supervisor

OPC Exhibit No. 100
Case No(s). GR-2009-0355
Date 10-28-09 Rptr KF

OCT 16 2009

10. Do you believe that under a traditional rate design, that all low-volume residential customers of MGE underpay their share of customer and demand costs? Please provide the basis for your answer including all cost studies and other analysis.

No but I do believe that these customers would be paying fair and reasonable rates under either scenario. For example, a residential customer with a 500 foot long service line that has been replaced recently is likely underpaying the cost to serve them under both a traditional and a SFV rate design since rates are based on average characteristics of the class and 500 feet is well beyond any average length for a residential customer that I am aware of. In contrast a residential customer with a 10 foot service line, a very small lot, and equipment that is fully depreciated is likely overpaying. While age (and therefore depreciated value) of equipment and length of service are factors that directly affect the cost to serve a specific customer, I am not aware of any rate design that attempts to take these factors into account. Since it is impractical to design rates that take into account every cost factor, a traditional rate design and a SFV rate design that collect the proper level or revenues from a class are both likely to result in fair and reasonable rates.