

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

In the Matter of Atmos Energy)
Corporation's Tariff Revision Designed to)
Consolidate Rates and Implement a)
General Rate Increase for Natural Gas)
Service in the Missouri Service Area of)
the Company.)

Case No. GR-2006-0387

**PUBLIC COUNSEL'S RESPONSE TO ORDER
DIRECTING FILING AND MOTION TO FILE OUT OF TIME**

COMES NOW the Office of the Public Counsel (OPC) and for its Response to Order Directing Filing and Motion to File Out of Time states:

1. On December 7, 2006, the Commission directed OPC to file copies of Exhibit 143 and portions of the record of Case No. TR-85-23 no later than December 12, 2006. Attached to this filing are Exhibit 143 and the portions of the record in Case No. TR-85-23 containing the testimony of Mr. Russell Trippensee.

2. The Commission directed OPC to file the above mentioned documents no later than December 12, 2006. Counsel for OPC did not become aware of the Commission's Order until December 14, 2006 and requests that the Commission allow OPC to late-file these documents. No party should be prejudiced by this delay.

WHEREFORE, the Office of the Public Counsel respectfully submits the attached documents in response to the Commission's order directing filing and moves to file such documents out of time.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

By: /s/ Marc D. Poston

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 14th day of December 2006.

Missouri Public Service Commission
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/s/ **Marc Poston**

**ATTACHMENTS TO
PUBLIC COUNSEL'S RESPONSE TO ORDER
DIRECTING FILING AND MOTION TO FILE OUT OF TIME**

Rebuttal Testimony of Russell W. Trippensee, Case No. TR-85-23

Supplemental Rebuttal Testimony of Russell W. Trippensee, Case No. TR-85-23

Transcript, pages 1, 26-28 and 73-120, Case No. TR-85-23

Exhibit No.
Witness:
Type of Exhibit:
Sponsoring Party:
Company:
Case No.:

Russell W. Trippensee
Rebuttal Testimony
Office of the Public Counsel
Northeast Mo. Rural Telephone
TR-85-23

REBUTTAL TESTIMONY
OF
RUSSELL W. TRIPPENSEE

Submitted On Behalf Of
Office Of The Public Counsel

NORTHEAST MISSOURI
RURAL TELEPHONE COMPANY

Case No. TR-85-23

Exhibit No. 22
Date 4/2/85 Case No. I.R.-85-23
Reporter Milne

NORTHEAST MISSOURI
RURAL TELEPHONE COMPANY

Case No. TR-85-23

REBUTTAL TESTIMONY OF
RUSSELL W. TRIPPENSEE

Q. Please state your name and address.

A. Russell W. Trippensee. I reside at 2328 Knight Valley Drive, Jefferson City, Missouri 65101, and my business address is P.O. Box 7800, Jefferson City, Missouri 65102.

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

A. I am the Chief Utility Accountant for the Missouri Office of the Public Counsel.

Q. Please describe your educational background.

A. I attended the University of Missouri at Columbia, from which I received a BSBA degree, major in Accounting, in December 1977. I attended the 1981 NARUC Annual Regulatory Studies Program at Michigan State University.

Q. Please describe your work experience.

A. From May through August, 1977, I was employed as an Accounting Intern by the Missouri Public Service Commission (MPSC). In January 1978 I was employed by the MPSC as a Public Utility Accountant I. I left the MPSC Staff in June 1984 as a Public Utility Accountant III and assumed my present position.

Q. Please describe your work while you were employed by the MPSC Staff.

A. Under the direction of the Chief Accountant, I supervised and assisted with audits and examinations of the books and records of public utility companies operating within the State of Missouri with regard to proposed rate increases.

Q. What are your current duties with the Public Counsel (PC)?

A. I am responsible for the Accounting Staff of the Public Counsel and coordinating their activities with the rest of our office and other parties in rate proceedings. I am also responsible for performing audits and examinations of public utilities and presenting the findings to the MPSC on behalf of the public of the State of Missouri.

Q. Have you previously filed testimony before the MPSC?

A. Yes. I filed testimony in the cases listed on Appendix A of my testimony on behalf of the MPSC Staff. For companies on which I participated in more than one rate case, I have only listed the most current case.

Q. What is the purpose of your rebuttal testimony?

A. My testimony addresses two positions, one taken by Company and one taken by MPSC Staff, that are contained in prefiled direct testimony in this case but are not contained in the Hearing Memorandum. It is the position of the Public Counsel that the parties' positions as filed are correct and any change from that position is not

warranted. The two issues and the party originally sponsoring them are as follows:

1. REA loan assignment -- MPSC Staff
2. Depreciation Reserve Adjustment -- Northeast Missouri Rural Telephone

Q. What was the REA loan assigned to?

A. MPSC Staff accounting schedule 9, run date 1-03-85, lines 1 through 3, shows how the MPSC Staff originally assigned all REA loan funds to the support of rate base. This is further amplified on lines 5 through 11 of the same schedule where the \$8,176,981 of REA loans is taken into consideration when determining "Net Operating Income Requirement. On page 2 of the testimony of MPSC Staff financial witness Bruce Schmidt, it can be verified that the \$8,176,981 is the total outstanding amount of REA loans.

Q. What amount of equity supports rate base in the MPSC Staff original filing?

A. The balance of rate base, \$347,395, is deemed to be supported by equity. The calculation showing the development of this number can be seen on MPSC Staff accounting schedule 9 previously mentioned.

Q. What is the position the MPSC Staff and the Company are now taking in the Hearing Memorandum?

A. The position taken is that the equity portion of total capital structure should be reduced by all advancements and loans to affiliated

companies. Then the weighted cost of the new adjusted capital structure is applied to rate base.

Q. Why do you believe this is not proper?

A. The MPSC Staff, as prefiled, assigned all REA loans to the support of rate base and therefore in actuality assigned equity as the support of all other operations, regulated and unregulated, of the Company. Now in the Hearing Memorandum the MPSC Staff and the Company see fit to specifically assign only equity to the nonregulated operations.

Q. Do you believe this change was logical?

A. No I do not. I fail to see any basis for specific assignment of one portion of the capital structure when other capital structure components have as good or better basis for assignment. REA loans are government subsidized loans that provide the Company with 28 money. The funds are available to the Company only because it operates a rural telephone company. Failure to assign these funds to the support of rate base results in the failure to recognize the basic reason why the Company was able to acquire these funds.

One point I need to re-emphasize is that as prefiled, the MPSC Staff position specifically assigned equity to the support of the non-regulated operations and specifically assigned the REA loans to the support of rate base.

Q. Once money is invested in the Company, can a dollar really be specifically traced?

A. In a real sense no, however for ratemaking purposes specific assignments of dollars are numerous. There are three examples that come to mind quickly:

1. All customer deposits are used to reduce rate base in total instead of being put into the capital structure at the MPSC ordered interest rate. This effectively assigns all of these dollars to utility operations.
2. Customer supplied cash working capital is used to reduce rate base directly instead of being put in the capital structure at zero cost. This effectively assigns all of these dollars to utility operations.
3. Short term debt is normally excluded from the capital structure utilized in determining rates because it is assumed that it supports CWIP.

Q. Do you have any further comments on this issue?

A. Yes I do. Discussions during the prehearing and a review of the Company's filing indicate that the current capital structure exceeds rate base by almost \$2 million. A large portion of these funds are invested in interest bearing accounts with the income being recorded "below the line". If this Commission accepts the MPSC Staff/Company position as stated in the Hearing Memorandum the Commission at least should consider in calculating the cost of service the net income from the portion of interest bearing investment that must be supported by REA loans under the MPSC Staff/Company proposal. To not do so would fail to recognize that the source of the investment support is the utility's plant in service which is paid for by the ratepayers. To not recognize income for ratemaking purposes

that would be in effect produced by the plant in service would be a definite change in ratemaking principles.

Q. What is the Public Counsel specifically proposing?

A. That the MPSC Staff position as prefiled be adopted and therefore all REA loan funds be assigned to the support of rate base.

Q. What is the value of this proposal?

A. Based on the MPSC Staff rate base of \$8,176,981 this proposal would decrease gross revenue requirement by \$140,306. If rate base changes, the value of this adjustment would change accordingly. The calculation can be seen on Appendix B of my testimony.

Q. What is the Public Counsel's position on the Depreciation Reserve?

A. The Public Counsel's position is the same as the position taken by Company witness John Gillum in his prefiled testimony. That is that the adjustment to annualize depreciation expense should also be utilized to adjust the depreciation reserve.

The Company's prefiled position can be seen in entry number 7 of Mr. Gillum's prefiled "Journal Entries to Restate Certain Annualized Revenues and Expenses and to Give Effect to Proposed Depreciation Rates" and carried forward on Mr. Gillum's prefiled "Rate of Return Analysis" contained in Exhibit ____.

Q. Has the Company advocated this position in the Hearing Memorandum?

A. No. The MPSC Staff did not profile a similar adjustment to the depreciation reserve or adopt it in the interim period between filing and the Hearing Memorandum. Therefore, since the Hearing Memorandum consists of adjustments to the Staff case, an adjustment to the depreciation reserve reflecting the annualized depreciation expense adjustment is not included in the Hearing Memorandum's base revenue requirement.

Q. Why is this type of adjustment appropriate?

A. Except for the annualization adjustment, all other depreciation expense included in cost of service has been included in the depreciation reserve. Since the ratepayer provides monies to cover all cost of service items, excluding a portion of total depreciation expense from the depreciation reserve on which rates are based causes an inequity. Ratepayers are required to provide the funds through depreciation expense but are not given full credit for them in the depreciation reserve.

Q. Has the Missouri Public Service Commission previously adopted this type of adjustment?

A. Yes. A review of Laclede Gas Company, Case No. GR-77-33, reveals that the MPSC addressed this specific type of adjustment and found it to be appropriate. That order further indicates that the MPSC Staff has traditionally maintained this position.

Q. Has the MPSC Staff maintained this position with regard to this adjustment since that time?

A. No. A review of Staff prefiled testimony shows that until 1980, this position was proposed several times. However, since that time, the MPSC Staff has not taken this position.

Q. Did the MPSC issue any orders reversing their position on this issue as stated in the Laclede case?

A. I was unable to find any order after 1977 where the MPSC took a position on this specific adjustment to the depreciation reserve different than the position it took in the Laclede case.

Q. What specific dollar adjustment depreciation reserve is the Public Counsel proposing?

A. The Staff has presented revised accounting schedules which include a \$135,710 adjustment to annualized depreciation expense, M-9.1. The Public Counsel's proposal, consistent with the Company prefiled position, is that an adjustment of \$135,710 should be made to the depreciation reserve which is used in the calculation of rate base.

Q. Does this conclude your testimony?

A. Yes it does at this time.

CASES

- Missouri Power & Light Company, Steam Dept., Case No. HR-82-179;
Missouri Power & Light Company, Electric Dept., Case No. ER-82-180;
Missouri Edison Company, Electric Dept., Case No. ER-79-120;
Southwestern Bell Telephone Company, Case No. TR-79-213;
Doniphan Telephone Company, Case No. TR-80-15;
Empire District Electric Company, Case No. ER-83-43;
Missouri Power & Light Company, Gas Dept., Case No. GR-82-181;
Missouri Public Service Company, Electric Dept., Case No. ER-81-85;
Missouri Water Company, Case No. WR-81-363;
Osage Natural Gas Company, Case No. GR-82-127;
Missouri Utilities Company, Electric Dept., Case No. ER-82-246;
Missouri Utilities Company, Gas Dept., Case No. GR-82-247;
Missouri Utilities Company, Water Dept., Case No. WR-82-248;
Great River Gas Company, Case No. GR-78-168;
Laclede Gas Company, Case No. GR-83-233; and
Arkansas Power & Light Company, Case Nos. ER-85-20, EO-85-146.

Computation of Public Counsel
 Capital Structure Effect

Rate Base	\$8,628,010	
Total Long Term Debt	<u>8,176,981</u>	
Equity Funded Rate Base	\$ <u>451,029</u>	
Long Term Debt	\$8,176,981	
Debt Cost	<u>.02</u>	
Debt Funded Requirement		\$163,540
Equity	\$ 451,029	
Equity Cost	<u>.1489</u>	
		<u>67,158</u>
Net Operating Income Requirement		\$230,698
Net Operating Income Available*		<u>562,956</u>
Gross Revenue Requirement		(\$332,258)
MPSC Staff Position*		(<u>191,952</u>)
		\$140,306

* Source: MPSC Accounting Schedule 9B

Exhibit No.

Witness:

Type of Exhibit:

Sponsoring Party:

Company:

Case No.:

Russell W. Trippensee

Supplemental Rebuttal Testimony

Office of the Public Counsel

Northeast Mo. Rural Telephone

TR-85-23

SUPPLEMENTAL REBUTTAL TESTIMONY

OF

RUSSELL W. TRIPPENSEE

Submitted On Behalf Of
Office Of The Public Counsel

NORTHEAST MISSOURI
RURAL TELEPHONE COMPANY

Case No. TR-85-23

Exhibit No. 23
Date 4/2/85 Case No. TR-85-23
Reporter Melne

that would be in effect produced by the plant in service would be a definite change in ratemaking principles.

Q. What is the Public Counsel specifically proposing?

A. That the MPSC Staff position as prefiled be adopted and therefore all REA loan funds be assigned to the support of rate base.

Q. What is the value of this proposal?

A. Based on the MPSC Staff rate base of \$8,628,010 this proposal would decrease gross revenue requirement by \$139,222. If rate base changes, the value of this adjustment would change accordingly. The calculation can be seen on Appendix B of my testimony.

Q. What is the Public Counsel's position on the Depreciation Reserve?

A. The Public Counsel's position is the same as the position taken by Company witness John Gillum in his prefiled testimony. That is that the adjustment to annualize depreciation expense should also be utilized to adjust the depreciation reserve.

The Company's prefiled position can be seen in entry number 7 of Mr. Gillum's prefiled "Journal Entries to Restate Certain Annualized Revenues and Expenses and to Give Effect to Proposed Depreciation Rates" and carried forward on Mr. Gillum's prefiled "Rate of Return Analysis" contained in Exhibit ____.

Q. Has the Company advocated this position in the Hearing Memorandum?

A. No. A review of Staff prefiled testimony shows that until 1980, this position was proposed several times. However, since that time, the MPSC Staff has not taken this position.

Q. Did the MPSC issue any orders reversing their position on this issue as stated in the Laclede case?

A. I was unable to find any order after 1977 where the MPSC took a position on this specific adjustment to the depreciation reserve different than the position it took in the Laclede case.

Q. What specific dollar adjustment depreciation reserve is the Public Counsel proposing?

A. The Staff has presented revised accounting schedules which include a \$135,828 adjustment to annualized depreciation expense, M-9.1. The Public Counsel's proposal, consistent with the Company prefiled position, is that an adjustment of \$135,828 should be made to the depreciation reserve which is used in the calculation of rate base.

Q. Does this conclude your testimony?

A. Yes it does at this time.

Computation of Public Counsel
 Capital Structure Effect

Rate Base	\$0,638,247	
Total Long Term Debt	<u>8,176,981</u>	
Equity Funded Rate Base	\$ 461,266	
Long Term Debt	\$8,176,981	
Debt Cost	<u>.02</u>	
Debt Funded Requirement		\$163,540
Equity	\$ 461,266	
Equity Cost	<u>.1489</u>	
		<u>68,683</u>
Net Operating Income Requirement		\$232,223
Net Operating Income Available*		<u>537,020</u>
Gross Revenue Requirement		(\$299,797)
MPSC Staff Position*		<u>(160,575)</u>
		\$139,222

* Source: MPSC Accounting Schedule 9B