

1

2

STATE OF MISSOURI

3

PUBLIC SERVICE COMMISSION

4

5

6

7

TRANSCRIPT OF PROCEEDINGS

8

Evidentiary Hearing

9

October 28, 2009
Jefferson City, Missouri
Volume 10

10

11

12

13 In the Matter of Missouri Gas)
Energy and its Tariff Filing to)
14 Implement a General Rate Increase) File No. GR-2009-0355
For Natural Gas Service)

15

RONALD D. PRIDGIN, Presiding,
16 SENIOR REGULATORY LAW JUDGE.

17

18 ROBERT M. CLAYTON III, Chairman,
JEFF DAVIS,
19 TERRY JARRETT,
KEVIN GUNN,
20 ROBERT KENNEY,
COMMISSIONERS.

21

22

23 REPORTED BY:

24 KELLENE K. FEDDERSEN, CSR, RPR, CCR
MIDWEST LITIGATION SERVICES

25

1 APPEARANCES:

2 PAUL A. BOUDREAU, Attorney at Law
JAMES C. SWEARENGEN, Attorney at Law
3 DEAN L. COOPER, Attorney at Law
Brydon, Swearngen & England, P.C.
4 312 East Capitol
P.O. Box 456
5 Jefferson City, MO 65102-0456
(573)635-7166
6 paulb@brydonlaw.com

7 TODD JACOBS, Attorney at Law
Missouri Gas Energy
8 3420 Broadway
Kansas City, MO 64111

9
10 FOR: Missouri Gas Energy, a Division of
Southern Union Company.

11 CHARLES W. HATFIELD, Attorney at Law
KCHRISTINE A. HEISINGER, Attorney at Law
12 Stinson, Morrison Hecker, LLP
230 West McCarty Street
13 Jefferson City, MO 65101
(573)636-6263
14 chatfield@stinson.com

15 FOR: ONEOK Energy Marketing Company.

16 MARK W. COMLEY, Attorney at Law
Newman, Comley & Ruth
17 601 Monroe, Suite 301
P.O. Box 537
18 Jefferson City, MO 65102
(573)634-2266
19 comleym@ncrpc.com

20 FOR: City of Kansas City, Missouri.

21 SHELLEY A. WOODS, Assistant Attorney General
SARAH MANGELSDORF, Assistant Attorney General
22 P.O. Box 899
Supreme Court Building
23 Jefferson City, MO 65102
(573)751-3321
24 shelly.woods@ago.mo.gov

25 FOR: Missouri Department of Natural

1 STUART CONRAD, Attorney at Law
Finnegan, Conrad & Peterson
2 3100 Broadway
1209 Penntower Officer Center
3 Kansas City, MO 64111
(816)753-1122
4 stucon@fcplaw.com

5 DAVID WOODSMALL, Attorney at Law
Finnegan, Conrad & Peterson
6 428 East Capitol, Suite 300
Jefferson City, MO 65101
7 (573) 635-2700
dwoodsmall@fcplaw.com

8
FOR: Midwest Gas Users Association.

9
10 JEREMIAH D. FINNEGAN, Attorney at Law
Finnegan, Conrad & Peterson
3100 Broadway
11 1209 Penntower Officer Center
Kansas City, MO 64111
12 (816)753-1122
jfinnegan@fcplaw.com

13
14 FOR: University of Missouri - Kansas City.
University of Central Missouri.
Superior Bowen Asphalt Company, LLC.

15
16 WILLIAM D. STEINMEIER, Attorney at Law
MARY ANN (GARR) YOUNG, Attorney at Law
William D. Steinmeier, P.C.
17 2031 Tower Drive
P.O. Box 104595
18 Jefferson City, MO 65110
(573)734-8109
19 wds@wdspsc.com

20 FOR: Constellation New Energy - Gas
Division, LLC.

21
22 MARC D. POSTON, Senior Public Counsel
P.O. Box 2230
200 Madison Street, Suite 650
23 Jefferson City, MO 65102-2230
(573)751-4857

24
25 FOR: Office of the Public Counsel
and the Public.

1 KEVIN THOMPSON, General Counsel
2 LERA L. SHEMWELL, Deputy General Counsel
3 ROBERT S. BERLIN, Senior Counsel
4 JENNIFER HERNANDEZ, Assistant General Counsel
5 ERIC DEARMONT, Legal Counsel
6 SAM RITCHIE, Legal Counsel
7 JAIME OTT, Legal Counsel
8 P.O. Box 360
9 200 Madison Street
10 Jefferson City, MO 65102
11 (573)751-3234

12 FOR: Staff of the Missouri Public
13 Service Commission.
14
15
16
17
18
19
20
21
22
23
24
25

1 P R O C E E D I N G S

2 JUDGE PRIDGIN: Good morning. We're back
3 on the record in GR-2009-0355. We appear to still be on
4 schedule, and set for today, for this morning is class
5 cost of service, and then rate design is set for this
6 afternoon and going on into tomorrow. I see that
7 Mr. Cummings for MGE is the first scheduled witness.

8 Does counsel have anything to announce
9 before we proceed to Mr. Cummings taking the stand?
10 Mr. Conrad?

11 MR. CONRAD: Well, Judge, just to put on
12 the record, counsel came up to your Honor's Bench before
13 you commenced the hearing and indicated that we felt we
14 were fairly close to some resolutions of some of these
15 issues, and the thought would be to permit the parties to
16 continue -- continue that and hopefully get it worded;
17 that Mr. Cummings has some travel problems, and he
18 apparently is the, as you have indicated, the first
19 witness for the company on this.

20 So the thought was that we would put him --
21 have him go on for the company and then we would, by your
22 leave, take a break and try to indicate at that time to
23 your Honor how much time the parties thought was necessary
24 and not pursue that issue further pending the parties
25 bringing your Honor a package.

1 JUDGE PRIDGIN: Okay. Does counsel have
2 any objection or agreement? Does that sound accurate?
3 I'm seeing some nods.

4 MR. BOUDREAU: Yes. That's correct.
5 Dr. Cummings has traveled in from out of town, and from
6 the company's perspective, given the context of the
7 discussions so far, we'd like to be able to put him on the
8 stand and, to the extent that anybody has questions for
9 cross-examination for him, get that taken care of, and I
10 think that would -- I think that would be a good
11 resolution.

12 JUDGE PRIDGIN: So what I'm hearing is
13 Mr. Cummings will stand cross, and after he's done, the
14 parties wish to take a break. And I'll also remind the
15 parties the Commissioners have agenda today around noon,
16 and so I guess my thought is we'll wait until
17 cross-examination is done and then I'll ask counsel your
18 best guess as to what time you wish to resume this
19 morning, realizing that the Commission will need to take a
20 break around noon for agenda.

21 So if that's agreeable to counsel? Seeing
22 some nods. Is there anything else before Mr. Cummings
23 takes the stand?

24 MS. SHEMWELL: I would suggest that if the
25 parties feel that agreement is not going to be reached, we

1 would try to come back in time to -- or to try to finish
2 the rest of the witnesses this morning before noon. That
3 I think would be preferable so that we can try to keep on
4 schedule. We'll certainly keep you informed, Judge, as to
5 our progress. Thank you.

6 JUDGE PRIDGIN: Thank you very much. All
7 right. Anything further before Mr. Cummings takes the
8 stand?

9 (No response.)

10 JUDGE PRIDGIN: All right. And there's no
11 mini opening, I take it, then, on class cost of service.
12 We'll just go right to cross-examination. Mr. Cummings,
13 if you'll come forward to be sworn, please, sir.

14 (Witness sworn.)

15 JUDGE PRIDGIN: Thank you very much, sir.
16 Please have a seat. And Mr. Boudreau, when you're ready,
17 sir.

18 MR. BOUDREAU: Yes, thank you. May it
19 please the Commission?

20 JUDGE PRIDGIN: Mr. Boudreau.

21 F. JAY CUMMINGS testified as follows:

22 DIRECT EXAMINATION BY MR. BOUDREAU:

23 Q. Would you state your name for the record,
24 please, sir.

25 A. Yes. F. Jay Cummings.

1 Q. Would you spell your name for the court
2 reporter, please.

3 A. C-u-m-m-i-n-g-s.

4 Q. By whom are you employed, sir?

5 A. Ruhter & Reynolds, Incorporated.

6 Q. In what capacity?

7 A. I'm a senior economist.

8 Q. Are you here testifying on behalf of
9 Missouri Gas Energy --

10 A. Yes.

11 Q. -- a Division of Southern Union Company?

12 A. Yes, I am.

13 Q. And are you the same Mr. Cummings or F. Jay
14 Cummings who has caused to be filed with the Commission in
15 this case prepared direct, rebuttal and surrebuttal
16 testimony which has been marked for identification as
17 Exhibit Nos. 3, 4 and 5 respectively?

18 A. Yes.

19 Q. Was that testimony prepared by you or under
20 your direct supervision?

21 A. Yes, it was.

22 Q. Do you have any corrections that you would
23 like to make to that testimony at this time, and in
24 particular anything to your direct testimony?

25 A. Yes. There's one change on the direct

1 testimony.

2 Q. If you would direct us to that, please,
3 sir.

4 A. On page 5, footnote 1, the very last line,
5 customer counts should be deleted and replaced with
6 revenues.

7 Q. Do you have any other corrections to your
8 direct testimony?

9 A. No, I don't.

10 Q. Do you have any corrections you'd like to
11 make to your rebuttal testimony?

12 A. I have one change in rebuttal. Page 35,
13 line 15, in the question the word amortization is
14 misspelled. The T is missing. My spell check doesn't
15 catch that word when it's all caps. That's apparently a
16 glitch with Word software.

17 Q. Any other changes to your rebuttal
18 testimony?

19 A. No, I don't.

20 Q. Do you have any changes you would like to
21 make to your surrebuttal testimony?

22 A. No, I do not.

23 Q. If I were to ask you the same questions as
24 are contained in your prepared testimony today, would your
25 answers as contained therein and as you noted as corrected

1 be substantially the same?

2 A. Yes.

3 Q. Is it true and correct to the best of your
4 information, knowledge and belief?

5 A. Yes.

6 MR. BOUDREAU: With that, I would offer.
7 Exhibit Nos. 3, 4 and 5 into the record, and tender the
8 witness for cross-examination.

9 JUDGE PRIDGIN: Mr. Boudreau, thank you,
10 Exhibits 3, 4 and 5 have been offered, any objections?

11 MR. CONRAD: No objection.

12 JUDGE PRIDGIN: Mr. Conrad? Oh, no
13 objection. I'm sorry.

14 MR. CONRAD: No objection.

15 JUDGE PRIDGIN: Hearing no objections,
16 Exhibits 3, 4 and 5 are admitted.

17 (EXHIBIT NOS. 3, 4 AND 5 WERE RECEIVED INTO
18 EVIDENCE.)

19 JUDGE PRIDGIN: Mr. Boudreau, thank you.

20 MR. BOUDREAU: Thank you.

21 JUDGE PRIDGIN: Cross-examination.

22 Mr. Finnegan, any questions?

23 MR. FINNEGAN: No questions, your Honor.

24 JUDGE PRIDGIN: Thank you. Mr. Conrad?

25 MR. CONRAD: Nothing, your Honor. Thank

1 you.

2 JUDGE PRIDGIN: Thank you. Mr. Poston?

3 MR. POSTON: No, thank you.

4 JUDGE PRIDGIN: Ms. Shemwell?

5 CROSS-EXAMINATION BY MS. SHEMWELL:

6 Q. Good morning, Dr. Cummings.

7 A. Good morning.

8 Q. How are you? I'm Lera Shemwell.

9 When you approach a class cost of service
10 study, do you have an outcome in mind?

11 A. No.

12 Q. Would you agree that in this area experts
13 can do a well-intentioned study and still disagree?

14 A. Yes, I do. There are a lot of judgments
15 that are necessary in the preparation of these studies.

16 Q. Would you describe for me some of those
17 judgments?

18 A. Well, the purpose of these studies
19 obviously is to come up with factors that relate to cost
20 causation consideration, and in many areas it is simply a
21 matter of judgment on how we might want to -- what factor
22 we might want to use, and there can be some differences of
23 opinion.

24 Q. Lots of differences of opinion, right?

25 A. There can, and, in fact, that's one reason

1 why at the outset of studies most analysts will suggest
2 that what we should do is directly assign as many costs as
3 we possibly can prior to going to the more judgmental
4 allocators.

5 MS. SHEMWELL: I think that's all I have.
6 Thank you.

7 JUDGE PRIDGIN: Ms. Shemwell, thank you.
8 Let me see if we have questions from the Bench.
9 Commissioner Jarrett, any questions?

10 COMMISSIONER JARRETT: I have no questions.

11 JUDGE PRIDGIN: Commissioner Gunn?

12 COMMISSIONER GUNN: No questions.

13 JUDGE PRIDGIN: Commissioner Kenney?

14 COMMISSIONER KENNEY: No questions.

15 JUDGE PRIDGIN: Commissioner Davis, it's to
16 you.

17 COMMISSIONER DAVIS: Pass. I'm done.

18 JUDGE PRIDGIN: No questions. No recross
19 needed. Any redirect?

20 MR. BOUDREAU: None. Thank you.

21 JUDGE PRIDGIN: All right. Thank you.

22 With nothing further, Mr. Cummings, thank you very much.

23 THE WITNESS: Thank you.

24 JUDGE PRIDGIN: And then I understand from
25 the parties you do wish to take some time to continue

1 talking about some class cost of service issues. If I can
2 inquire of the parties the best guess on when you would
3 like to reconvene to either announce a settlement or an
4 impasse and we can continue trying the issues? I realize
5 that may be a tough guess.

6 MS. SHEMWELL: May I tentatively suggest we
7 come back, or at least notify you at 10:30, and if we can
8 prior to that, we certainly will do so.

9 JUDGE PRIDGIN: And I will -- you're
10 welcome to use this room if you'd like and then we'll
11 leave, and then I'm up on the ninth floor. You know how
12 to contact me.

13 MS. SHEMWELL: Yes.

14 JUDGE PRIDGIN: Okay.

15 MR. CONRAD: That's agreeable here.

16 JUDGE PRIDGIN: So we will stand in recess
17 until 10:30. Is there anything from counsel before we go
18 to recess?

19 (No response.)

20 JUDGE PRIDGIN: All right. Hearing
21 nothing, we will go off the record and plan to reconvene
22 at approximately 10:30. Thank you. We're off the record.

23 (A BREAK WAS TAKEN.)

24 (EXHIBIT NO. 82HC WAS MARKED FOR
25 IDENTIFICATION BY THE REPORTER.)

1 JUDGE PRIDGIN: Good afternoon. We're back
2 on the record. Let me let counsel know kind of the
3 latest, and then I'll see if there's anything counsel has
4 for me before we move on to the next witness.

5 The Commission is still in agenda, and I
6 think they will be concluding shortly, but they wanted me
7 to go ahead and get started. As backwards as it might be,
8 my preference is to go ahead and start with wherever, I
9 think Mr. Feingold's the first witness scheduled, unless
10 counsel corrects me, and then once the Commission arrives,
11 we may kind of have to stop and do openings after the
12 fact. And the Commission's very interested in hearing
13 openings on this issue, and I think on every issue

14 So that is my preference, and so you may
15 have to -- the openings are more for the Commission's
16 benefit than mine, so you may be telling the Commission
17 what has already been testified to rather than what the
18 evidence will be, and I realize that's a little -- that's
19 a little backwards.

20 If you want to go ahead and make an opening
21 before, I'm certainly not going to stop you, but you may
22 be making a second one later, and I guess I'll leave that
23 up to you. Again, I'm just trying to get things going and
24 not hold this up. I think the Commission thought they
25 would be done with agenda more like 1:30, and it's after 2

1 and they're still going. We want to at least get some
2 witnesses going.

3 Are there any witnesses -- I know the
4 Commission doesn't want to release any witnesses until
5 they've had a chance to ask questions. Are there any
6 witnesses scheduled for today that are traveling or simply
7 not available? Okay.

8 MR. BOUDREAU: As I pointed out, we may
9 have one -- we have one witness that will not be available
10 until tomorrow. Mr. Feingold will be available tomorrow
11 if necessary.

12 JUDGE PRIDGIN: It's Mr. Thompson that will
13 be available only tomorrow?

14 MR. BOUDREAU: Yes.

15 JUDGE PRIDGIN: I don't think tomorrow's
16 going to be a problem. Is there anything from counsel
17 before we go on to the next witness, which I believe would
18 be Mr. Feingold?

19 MR. BERLIN: Yes, Judge.

20 JUDGE PRIDGIN: Yes, Mr. Berlin.

21 MR. BERLIN: Staff is going to add Staff
22 witness Dan Beck after witness Anne Ross. We are going to
23 make Dan Beck available for any rate design related
24 questions that may be asked, what counsel may want to ask
25 of him. So he will be available after Anne Ross in the

1 order.

2 JUDGE PRIDGIN: Okay. All right.

3 MR. POSTON: And Ryan Kind is on as a rate
4 design witness for us. He will be unavailable tomorrow
5 and Friday. So I guess depending on where we are after
6 Mr. Feingold, I don't know if we would want to move to
7 Mr. Kind or wait until Monday, because he will be back on
8 for energy efficiency issues. We can play that by ear if
9 you like after Mr. Feingold.

10 JUDGE PRIDGIN: That's fine with me. If
11 he's scheduled to appear Monday anyway, it doesn't matter
12 to me, whatever the parties want to do.

13 MR. CONRAD: Judge, it sounds like we're
14 heading without ever intending to do so for something of a
15 collision. Johnstone is -- is scheduled, I guess, for
16 today. I'd like to be able to get him on and off today.
17 I expect that would be fairly short. I don't know. I
18 haven't talked to anybody else, but on this -- this
19 particular issue, he has some meetings in St. Louis in
20 connection with another utility that he would like to be
21 able to head to on Thursday, and I believe it's Friday,
22 isn't it, Mr. Johnstone?

23 MR. JOHNSTONE: That's correct.

24 MR. CONRAD: Thursday and Friday both. So
25 he's indicated to me his prime commitment is here, but if

1 we can accommodate that, that would be great.

2 JUDGE PRIDGIN: Okay. And I don't know how
3 long -- I don't know how long cross-examination of any
4 witness is going to take, of course, and I don't think the
5 Commission wants to release anybody, and again, I don't
6 think they'll be a whole lot longer. I don't know if it
7 makes more sense to move Mr. Johnstone ahead or --

8 MR. CONRAD: He just indicated to me he'll
9 also be available next week.

10 JUDGE PRIDGIN: Okay. Okay.

11 MR. CONRAD: If that becomes the safety
12 valve, then so be it.

13 JUDGE PRIDGIN: It looks like on the list
14 right now that he would be second after Mr. Feingold.
15 Assuming his cross-examination lasts less than three
16 hours, I think we'll be fine getting Mr. Johnstone on
17 today as it is. So it would be my preference, since
18 Mr. Thompson's not available 'til tomorrow, to go ahead
19 with Mr. Feingold and then Mr. Johnstone. Hopefully we'll
20 get them both off the stand today, unless counsel suggests
21 something else. Okay.

22 Is there anything further from counsel
23 before we proceed on to Mr. Feingold taking the stand?

24 (No response.)

25 JUDGE PRIDGIN: All right. Mr. Feingold,

1 if you would please come forward to be sworn, please, sir.

2 (Witness sworn.)

3 JUDGE PRIDGIN: Thank you very much, sir.

4 Please have a seat. Mr. Boudreau, when you're ready.

5 MR. BOUDREAU: Thank you.

6 RUSSELL A. FEINGOLD testified as follows:

7 DIRECT EXAMINATION BY MR. BOUDREAU:

8 Q. Good afternoon, sir. Would you state your
9 name for the record, please.

10 A. Russell A. Feingold, F-e-i-n-g-o-l-d.

11 Q. And by whom are you employed, sir, and in
12 what capacity?

13 A. I'm employed by Black & Veatch Corporation
14 as a vice president.

15 Q. Are you testifying -- here to testify today
16 on behalf of Missouri Gas Energy?

17 A. Yes, I am.

18 Q. Are you the same Mr. Feingold who has
19 caused to be prepared and filed with the Commission
20 prepared direct, rebuttal and surrebuttal testimony which
21 have been marked for identification as Exhibits 7, 8
22 and 9?

23 A. Yes, I am.

24 Q. And as I understand it, you have one highly
25 confidential schedule to your surrebuttal testimony, which

1 has been marked for identification as Exhibit 9HC; is that
2 correct?

3 A. That is correct.

4 Q. Was that testimony prepared by you or under
5 your direct supervision?

6 A. Yes, it was.

7 Q. Do you have any corrections that you would
8 like to make to that testimony at this time?

9 A. No, I do not.

10 Q. If I were to ask you the same questions as
11 are contained in those documents, would your answers as
12 set forth therein be substantially the same today?

13 A. They would be.

14 Q. And are they true and correct to the best
15 of your information, knowledge and belief?

16 A. They are.

17 MR. BOUDREAU: With that, I would offer
18 into the record Exhibits 7, 8, 9 and 9HC, and I would like
19 to tender the witness for cross-examination as well.

20 JUDGE PRIDGIN: Mr. Boudreau, thank you.
21 7, 8 and 9 and 9HC have been offered. Any objections?

22 (No response.)

23 JUDGE PRIDGIN: Hearing none, 7, 8, 9 and
24 9HC are admitted.

25 (EXHIBIT NOS. 7, 8, 9 AND 9HC WERE RECEIVED

1 INTO EVIDENCE.)

2 JUDGE PRIDGIN: Mr. Feingold is ready for
3 cross. Ms. Woods, any questions of this witness?

4 MS. WOODS: No, your Honor. Thank you.

5 JUDGE PRIDGIN: Thank you. Mr. Finnegan?

6 MR. FINNEGAN: No questions.

7 JUDGE PRIDGIN: Mr. Conrad?

8 MR. CONRAD: No questions, Judge.

9 JUDGE PRIDGIN: Thank you. Mr. --
10 Mr. Poston.

11 MR. POSTON: Judge, would it be okay if we
12 shuffled the lineup since Staff and the company are
13 aligned on these issues?

14 JUDGE PRIDGIN: That's fine with me.

15 MR. POSTON: Thank you.

16 JUDGE PRIDGIN: Thank you. Ms. Shemwell?

17 MR. BERLIN: No questions from Staff.

18 JUDGE PRIDGIN: Excuse me, Mr. Berlin.

19 Thank you. All right. Mr. Poston, it's to you.

20 MR. POSTON: I tried to delay it.

21 CROSS-EXAMINATION BY MR. POSTON:

22 Q. Good afternoon, Mr. Feingold.

23 A. Good afternoon, Mr. Poston.

24 Q. In your schedules to your direct testimony,
25 you include a list of the regulatory commissions where

1 you've provided expert testimony; is that correct?

2 A. Yes.

3 Q. And I counted about 30 forums. Does that
4 sound accurate?

5 A. Subject to check, I'd agree with you.

6 Q. And you've testified multiple times in many
7 of these jurisdictions, correct?

8 A. Yes.

9 Q. And how many cases do you think, your best
10 estimate, that you've testified in?

11 A. I would say approximately 150 cases over my
12 31-year career.

13 Q. And in those roughly 150 cases, how many
14 times have you testified on the issue of rate design for
15 an LDC?

16 A. I would say at least three-quarters of
17 those cases.

18 Q. And out of those three-quarters cases, how
19 many times have you proposed a rate design for an LDC that
20 would recover all non-gas costs in a single fixed charge?

21 A. I believe in recent times, with the advent
22 of revenue decoupling and straight fixed variable rate
23 design, the more recent cases are probably six or seven,
24 subject to check.

25 Q. And before the more recent time when

1 revenue decoupling came about, how many times have you
2 testified for that type of a rate design?

3 A. There were very few times, but during those
4 earlier years, the business challenges that gave rise to
5 straight fixed variable were not as acute as they are now.

6 Q. I'm just asking for -- looking for a
7 number.

8 A. I don't have a number.

9 Q. Okay. Were there any, other than these six
10 or seven recent times?

11 A. The reason I'm hesitating, I think there
12 were some cases where I testified to special contracts for
13 large industrial customers where all of the fixed costs
14 were recovered through the contract rates.

15 Q. These six or seven times, how many states
16 is that in?

17 A. It's in Missouri two years ago, Ohio,
18 Kentucky, Georgia. Those are the ones that come to mind
19 right off the top of my head. I might add that those are
20 the ones where I've testified to straight fixed variable
21 rate design. There have been a number of other states
22 where I've testified to revenue decoupling which also
23 attempts to recover the fixed costs associated with
24 providing delivery service for an LDC.

25 Q. I'll get to those in a minute. And the

1 first time you proposed the straight fixed variable as
2 you've labeled it, that was here in Missouri, correct?

3 A. Yes.

4 Q. And since then, you've proposed it in Ohio,
5 Kentucky and Georgia?

6 A. The Georgia case, I'm sorry, was before the
7 2006 Missouri case, Missouri Gas Energy case. That case
8 ended up settling. But since the MGE case of two years
9 ago, it was Kentucky and Ohio.

10 MR. POSTON: May I approach the witness?

11 JUDGE PRIDGIN: You may.

12 BY MR. POSTON:

13 Q. Are you familiar with the document I've
14 just handed you?

15 A. Yes, I am.

16 Q. Okay. What is this? Can you please
17 identify it?

18 A. I believe it was a response to an Office of
19 Public Counsel Data Request in this proceeding. I believe
20 it was OPC-0001.

21 Q. And what information is on this page or on
22 this document?

23 A. This information reflects the expert
24 testimony that I've provided on behalf of utility clients
25 or clients more generally.

1 Q. And I'd like to look at a few of these, if
2 you would. On this sheet, you indicate the subject matter
3 of your testimony; is that correct?

4 A. Yes, I do.

5 Q. Okay. And I'd like to start, if you would
6 turn to -- to an Illinois case, I believe it's on the
7 second page. It's a People's Gas, Light and Coke Company.
8 Do you see that?

9 A. Yes, I do.

10 Q. And you state in here that the subject
11 matter of your testimony included a revenue decoupling
12 mechanism to remove the disincentive to promote energy
13 efficiency efforts. Do you see that?

14 A. I do see that.

15 Q. And could you please describe the type of
16 rate design you proposed in that case? Was it -- did it
17 put all -- did you propose to put all non-gas costs into a
18 single fixed charge or did the -- or non-gas costs
19 recovered any fixed charge together with a volumetric
20 rate?

21 A. Well, first off, I didn't support the rate
22 design in that proceeding. It was another witness. What
23 I supported was the revenue decoupling mechanism which
24 really effectively gave the utility the ability to recover
25 fixed costs over a period of time as volumes varied from

1 what was established in the rate case.

2 Q. Okay. Do you know what the rate design
3 that was adopted in that case?

4 A. I believe it was a rate design that had an
5 increased monthly customer charge and a smaller volumetric
6 charge.

7 Q. Let me ask you this. In all of these where
8 you list the subject matter, unless you specifically said
9 rate design, then you didn't provide testimony on rate
10 design? If it just says a revenue decoupling mechanism,
11 then you were not testifying on the rate design; is that
12 correct?

13 A. That's correct.

14 Q. So how many times do you think you have
15 provided testimony in support of a rate design that
16 recovers the margin costs or non-gas costs in a two-part
17 rate that includes both the -- both the volumetric piece
18 and a fixed charge?

19 A. I seem to recall that's a Data Request that
20 you asked me, and I believe that refers to OPC-0027 and
21 OPC-0028.

22 Q. I asked you how many times you've testified
23 in support of a rate design with the -- more of a
24 traditional rate structure with a volumetric component and
25 a fixed charge component?

1 A. Well, if I go back to my previous answer,
2 and I think I said that about three-quarters of those
3 cases that I testified to dealt with rate design, and if I
4 then subtract out the cases that I show on 0027 and 0028,
5 that would be roughly the number of cases that addressed
6 rate design with a monthly customer charge and a
7 volumetric charge.

8 Q. And how many would that be? Can you give
9 me that number, please?

10 A. No, I can't, without going through the
11 details.

12 Q. Can you give me just your best estimate?

13 A. I think my best estimate is three-quarters
14 of the cases, and then if I subtract out the answers to
15 OPC-0027 and 0028, I could go offline and calculate it if
16 you want me to.

17 Q. If you could, please, yes.

18 A. I would say roughly 100 proceedings.

19 Q. At the time you testified on those rate
20 designs, was it your belief that that was a just and
21 reasonable rate design to propose?

22 A. With the business conditions that were
23 faced by the utility at those times, yes.

24 Q. To the best of your knowledge, how many
25 states have adopted a rate design for an LDC that recovers

1 all margin or non-gas costs in a single fixed monthly
2 charge?

3 A. Did you ask me how many states?

4 Q. How many states?

5 A. I believe there are five or six states that
6 have adopted straight fixed variable and then another
7 20-some-odd states that have adopted revenue decoupling.

8 Q. I've asked you how many states have adopted
9 a rate design that recovered all non-gas costs in a single
10 fixed charge?

11 A. I think I answered that.

12 Q. And how many is that?

13 A. I think I said that there were five or six
14 that adopted straight fixed variable, and there were
15 another 20 that had adopted revenue decoupling.

16 Q. And what states do you believe are the five
17 or six?

18 A. Missouri, Ohio, Georgia, North Dakota,
19 Oklahoma, and I think those are the five. There may be
20 another one, but I would have to check.

21 Q. In those five or six states, is the rate
22 design identical to what's being proposed here or was
23 there some type of a variation based on demand?

24 A. My understanding is, of those states, the
25 only one that tried to recognize variation in demand was

1 Georgia.

2 Q. And how did they try to recognize that, do
3 you recall?

4 A. By having a, I forget the acronym, but
5 essentially it's a demand billing unit established for
6 each customer based on that customer's peak, peak day
7 demand, I believe.

8 Q. And do you know why they included that?

9 A. No.

10 Q. Have you ever testified on behalf of a
11 natural gas consumer?

12 A. I believe in a few FERC proceedings, gas
13 pipeline proceedings, I testified on behalf of a group of
14 industrial customers.

15 Q. And that's the only time you can recall?

16 A. I can go through this list if you'd like me
17 to do that now.

18 Q. Whatever -- whatever you do to answer the
19 question, I mean, if you need to do that, go ahead.

20 A. That's my answer.

21 Q. Have you ever testified on behalf of a
22 regulatory utility commission?

23 A. No.

24 Q. Or how about a commission staff?

25 A. No.

1 Q. So would it be correct to say that you're
2 almost exclusively -- that you almost exclusively testify
3 on behalf of companies?

4 A. Companies, yes.

5 Q. For customer classes that are not
6 homogenous, will you agree that an appropriate design
7 would include a separate demand charge to recover demand
8 related costs?

9 A. Not in all cases, no.

10 Q. Okay. Can you please explain?

11 A. Yes. In the case of a residential class,
12 for example, I don't believe that demand charge is
13 appropriate based on the degree of homogeneity that
14 typically exists within a residential class.

15 Q. The question was, for a class that is a
16 homogenous class, would you agree that an appropriate rate
17 design would include a separate demand charge to recover
18 demand related costs?

19 A. And I believe I said no, and I was trying
20 to explain.

21 Q. Your explanation seemed to be talking about
22 a class that you said is not homogenous.

23 A. No. I said was homogenous, or if I didn't
24 say that, that's what I meant to say.

25 Q. Just a moment, please.

1 A. Certainly.

2 Q. I seem to have lost a DR. I will move on.

3 This is my last question. Would you agree
4 that when an MGE installs -- oh, no, I'm sorry, it's not
5 my last question.

6 Would you agree that when MGE installs or
7 replaces a distribution main, that one of the factors that
8 goes into selecting the size of that main is the quantity
9 of gas required by that portion of the system to be served
10 by that main?

11 A. No.

12 MR. POSTON: Can I approach?

13 JUDGE PRIDGIN: You may.

14 BY MR. POSTON:

15 Q. Can you identify what I just handed you?

16 A. It appears to be one sheet from the general
17 terms and conditions for gas service for Missouri Gas
18 Energy.

19 Q. And I've highlighted a section, which can
20 you identify -- first, can you identify the sheet, what
21 sheet is it?

22 A. It is Sheet No. R-35.

23 Q. And what section paragraph have I
24 highlighted?

25 A. 4.03.

1 Q. And what is the effective date of that
2 tariff?

3 A. February 1st, 1994.

4 Q. Will you please read the highlighted
5 section?

6 A. The size of pipe required for specific
7 installations will be determined by the quantity of gas
8 required, the length of the pipe and pressure loss.

9 Q. Thank you. If you could please turn to
10 your direct Schedule RAF-7, please, page 11 of 11.

11 A. I have it.

12 Q. Okay. And on lines 4 and 5, you have a
13 zero dollar amount in the proposed rates. Do you see
14 that?

15 A. You mean for April through October?

16 Q. Yes, April through October. Says first
17 30,000 CCF, zero. Do you see that? Is that accurate?

18 A. It is accurate on this page, but the point
19 of this page that may be misleading is the fact that the
20 headings, April through October, do not apply to the
21 column D proposed rates, and the rates that appear on
22 lines 2 and 3 are rates throughout the year because the
23 seasonal differential has been eliminated in our proposal.

24 Q. Okay. So maybe it would just be better
25 maybe to not have a dollar amount on that line perhaps.

1 Would that be more accurate?

2 A. I think rather than doing that, maybe I
3 should have put all months next to the first two rates.

4 Q. Okay.

5 A. I think the tariff sheet states it that
6 way, though.

7 Q. And if you could please turn to your
8 surrebuttal testimony, page 17.

9 A. I have it.

10 Q. At the bottom, line 23, you have a sentence
11 that says, contrary to Mr. Kind's conclusion, fixed
12 distribution costs cannot be and are not changed with
13 customers' changes in gas use. Do you see that?

14 A. Yeah. Let me just read it again, if you
15 give me a moment. Yes, I have that.

16 Q. Could you please point me to the conclusion
17 of Mr. Kind that you were referring to? Where in his
18 testimony, what page and line number? Do you have a copy
19 of his testimony for one?

20 A. I do. I think in the question I was
21 referring to page 5 of his rebuttal testimony.

22 Q. And what is the conclusion that he has
23 made?

24 A. That SFV rate design is contrary to
25 economic efficiency because it will diminish the

1 efficiency of utility pricing by removing the price signal
2 associated with higher levels of usage.

3 MR. POSTON: That's all I have. Thank you.

4 JUDGE PRIDGIN: Mr. Poston, thank you. Any
5 redirect?

6 MR. BOUDREAU: Yes, please.

7 REDIRECT EXAMINATION BY MR. BOUDREAU:

8 Q. I believe you received a question from
9 Mr. Poston about whether at the time that you recommended
10 in some past proceedings whether a -- a rate design
11 comprised of a customer charge and a volumetric charge, do
12 you recall that testimony or those questions?

13 A. Yes, I do.

14 Q. He asked you, I believe, whether at the
15 time you made those recommendations, whether you thought
16 that that -- those rate designs were just and reasonable.
17 Do you recall that?

18 A. Yes.

19 Q. And I believe -- I jotted down what I think
20 was your answer -- you said that considering the business
21 conditions faced by those utilities at that time, yes. I
22 believe that was your answer; is that correct?

23 A. Yes.

24 Q. Now, with respect to your recommendation
25 concerning the continuation of the straight fixed variable

1 rate design for the residential class and its expansion to
2 the newly described or proposed small general service
3 class in this case, do you believe that that rate
4 design -- that rate design for those two customer classes
5 would be just and reasonable based on the business
6 conditions faced by the company MGE at this time?

7 A. Yes, I do.

8 MR. BOUDREAU: That's all I have. Thank
9 you.

10 JUDGE PRIDGIN: Mr. Boudreau, thank you.
11 Mr. Feingold, you can step down. I wish I could release
12 you, but the Commissioners may have questions for you
13 later.

14 THE WITNESS: I understand. Thank you.

15 JUDGE PRIDGIN: Thank you very much. Did
16 the parties wish to -- since Mr. Thompson is not available
17 until tomorrow; is that correct?

18 MR. BOUDREAU: That's correct.

19 JUDGE PRIDGIN: Do the parties wish to put
20 on Mr. Johnstone then? Mr. Johnstone, if you'll come
21 forward and be sworn, please, sir.

22 (Witness sworn.)

23 JUDGE PRIDGIN: Thank you very much, sir.
24 If you would please have a seat. Mr. Conrad, when you're
25 ready, sir.

1 MR. CONRAD: Thank you, your Honor.

2 DONALD JOHNSTONE testified as follows:

3 DIRECT EXAMINATION BY MR. CONRAD:

4 Q. Please state your name and business address
5 for the record.

6 A. My name is Donald Johnstone. My address is
7 384 Blackhawk Drive, Lake Ozark, Missouri.

8 Q. And Mr. Johnstone, by whom have you been
9 engaged for this proceeding?

10 A. Midwest Gas Users Association and Superior
11 Bowen Asphalt.

12 Q. And sir, are you the same Donald
13 A. Johnstone who has previously filed in this proceeding
14 direct testimony marked as Exhibit 90, rebuttal testimony
15 in both highly confidential and public versions identified
16 as 91, and surrebuttal identified as Exhibit 92?

17 A. Yes.

18 Q. Do you have any changes or corrections to
19 any of those items of testimony?

20 A. No.

21 MR. CONRAD: Your Honor, I have nothing
22 further on direct for this witness, and would therefore
23 move admission of Exhibits 90, 91HC and 91NP, 92 and
24 thereupon tender the witness for cross.

25 JUDGE PRIDGIN: Mr. Conrad, thank you.

1 Exhibits 90, 91NP, 91HC and 92 have been offered. Are
2 there any objections?

3 MR. BOUDREAU: Just Mr. Johnstone, he's
4 also scheduled to testify on tariff issues?

5 MR. CONRAD: Yes. And I guess I should
6 make that clear while we have things pending and
7 circulating. The offer would be presumed at this point in
8 time only on the issue that is before the Commission at
9 this juncture in the hearing, which I believe is rate
10 design.

11 MR. BOUDREAU: I think with respect -- with
12 that understanding, I have no objection.

13 JUDGE PRIDGIN: All right. Thank you.
14 Exhibits 90, 91NP, 91HC and 92 are admitted.

15 (EXHIBIT NOS. 90, 91NP, 91HC AND 92 WERE
16 RECEIVED INTO EVIDENCE.)

17 JUDGE PRIDGIN: And Mr. Johnstone is ready
18 for cross-examination. Let me check my list. Ms. Woods,
19 I believe you would be first, if you're interested.

20 MS. WOODS: I have no questions. Thank
21 you.

22 JUDGE PRIDGIN: Thank you. Mr. Poston?

23 MR. POSTON: Just a few, thank you.

24 CROSS-EXAMINATION BY MR. POSTON:

25 Q. Mr. Johnstone, you testified in your

1 surrebuttal testimony regarding FERC Order 636; is that
2 correct? I believe I mentioned it.

3 A. Yes.

4 Q. And that's the Order that adopts the
5 straight fixed variable rate design for pipelines; is that
6 correct?

7 A. It was open access. It happened at about
8 that time. I'm not sure it was exactly that order.

9 Q. And are you familiar with how the straight
10 fixed variable is structured by the FERC for pipelines?

11 A. Yes, I am.

12 Q. And are there differences between FERC's
13 straight fixed variable and how it's being proposed by MGE
14 here?

15 A. Yes, there are.

16 Q. Could you explain those differences?

17 A. In the FERC model, the fixed costs and
18 variable costs are identified separately, and there is a
19 volumetric charge associated with the variable and a
20 capacity charge associated with the fixed costs. So the
21 amount that a customer is charged for the fixed charges
22 will depend on their maximum contract demand on the
23 system. And as to the variable cost, it would include the
24 return on equity component for the utility also.

25 Q. On page 6, line 20 of your surrebuttal, you

1 discuss that demand for natural gas in the winter period
2 is primarily responsible for many capacity-related costs.
3 Do you recall that?

4 A. Yes.

5 Q. And is this true for all customer classes?

6 A. Yes.

7 Q. You also testify that rates should be cost
8 based. Do you see that? Is that accurate?

9 A. That's certainly been my position
10 consistently.

11 Q. Is a uniform customer charge that recovers
12 all non-gas costs cost justified when demand, including
13 seasonal demand, vary significantly within a class?

14 A. In my opinion, it is not cost justified in
15 that situation.

16 MR. POSTON: Thank you. That's all I have.

17 JUDGE PRIDGIN: Mr. Poston, thank you.

18 Ms. Shemwell or Mr. Berlin, questions?

19 MR. BERLIN: Yes, Judge just one.

20 CROSS-EXAMINATION BY MR. BERLIN:

21 Q. Mr. Johnstone, does the FERC regulate LDCs?

22 A. No.

23 MR. BERLIN: Thank you. No further
24 questions.

25 JUDGE PRIDGIN: Thank you, Mr. Berlin.

1 Mr. Boudreau?

2 MR. BOUDREAU: No questions for this
3 witness. Thank you.

4 JUDGE PRIDGIN: All right. Thank you.
5 Mr. Conrad, any redirect?

6 MR. CONRAD: No, sir. Thank you.

7 JUDGE PRIDGIN: All right. Thank you.

8 MS. SHEMWELL: May I raise one issue?

9 JUDGE PRIDGIN: Yes.

10 MS. SHEMWELL: His testimony was admitted
11 on rate design only; is that correct?

12 JUDGE PRIDGIN: That was my understanding,
13 that's what the parties intended to offer it for, rate
14 design only.

15 MS. SHEMWELL: Thank you.

16 JUDGE PRIDGIN: All right. Mr. Johnstone,
17 you may step down. And Mr. Conrad, did I understand that
18 he would be unavailable tomorrow but might be available
19 later in the hearing?

20 MR. CONRAD: That is my understanding also.
21 We would if your Honor chooses not to excuse him at this
22 point, that would be acceptable, but he would not be
23 available Thursday or Friday. He would be available next
24 week.

25 JUDGE PRIDGIN: That's perfectly fine, and

1 you're free to step down. Of course, Mr. Johnstone, you
2 may be recalled at a later date.

3 THE WITNESS: Thank you.

4 JUDGE PRIDGIN: Thank you.

5 MR. CONRAD: Thank you, Judge, and thank
6 the other parties for permitting us to go ahead.

7 JUDGE PRIDGIN: You're quite welcome. I
8 show that the next witness on the schedule is Ms. Ross for
9 Staff, and I -- and it doesn't make any difference to me.
10 I think Mr. Kind is unavailable at a later date. How do
11 the parties wish to proceed? Which witness? Do you want
12 to go ahead with Ms. Ross?

13 MR. POSTON: That's fine. We don't have a
14 lot of cross for her.

15 JUDGE PRIDGIN: All right. Come forward
16 and be sworn, please. And then Mr. Beck would be after
17 her; is that correct?

18 MS. SHEMWELL: Yes.

19 MR. BERLIN: That's correct.

20 (Witness sworn.)

21 JUDGE PRIDGIN: Thank you very much.
22 Please have a seat. Mr. Berlin, when you're ready, sir.
23 ANNE ROSS testified as follows:

24 DIRECT EXAMINATION BY MR. BERLIN:

25 Q. Good afternoon, Ms. Ross. Would you please

1 state your full name for the record.

2 A. Yes. My name is Anne Ross. It's A-n-n-e,
3 R-o-s-s.

4 Q. And how long have you been employed by the
5 Commission?

6 A. Little over 20 years.

7 Q. And what is your current job title?

8 A. I'm a Regulatory Economist 2.

9 Q. And how long have you worked in that
10 position?

11 A. 20 years.

12 Q. And you are the Staff's expert witness on
13 the issue of rate design?

14 A. That's correct.

15 Q. And in the context of this case, did you
16 prepare section 4 titled rate design with paragraphs A
17 through G of the Staff report that is marked as Exhibits
18 42HC and 43NP?

19 A. Yes.

20 Q. And did you prepare certain sections on
21 pages 80 through 82 of Staff's cost of service report that
22 is marked as Exhibits 39NP and 40HC?

23 A. Yes.

24 Q. Do those sections on pages 80 through 82 in
25 the cost of service report pertain to adjustments for

1 large volume service, rate switching, customer gains and
2 losses and weather normalization?

3 A. Yes.

4 Q. And do you have any corrections to any of
5 the sections that you prepared in these reports at this
6 time?

7 A. No.

8 Q. And did you submit affidavits with your
9 sections on rate design and cost of service?

10 A. Yes.

11 Q. Is the information contained in your
12 sections of both the Staff reports true and correct to
13 your best information, knowledge and belief?

14 A. Yes.

15 MR. BERLIN: Your Honor, I move to admit
16 into the record Ms. Ross' sections of the Staff report on
17 rate design, Exhibits 42 and 43, and the Staff report on
18 cost of service, Exhibits 39 and 40.

19 JUDGE PRIDGIN: Okay. It doesn't make any
20 difference to me. I can't remember who asked earlier. It
21 may have been Mr. Thompson from Staff, and I -- and this
22 may be my fault. I think I -- I think he asked me and I
23 think I voiced a preference to maybe wait until all the
24 witnesses who were going to testify concerning the Staff
25 report to do that and then to move the cost of service

1 report in once all those witnesses have been crossed.

2 MR. BERLIN: That's fine.

3 JUDGE PRIDGIN: And I'm sorry. With that,
4 were there other -- were there other exhibits that you
5 wanted admitted?

6 MR. BERLIN: Yes.

7 BY MR. BERLIN:

8 Q. Ms. Ross, did you cause to be prepared
9 rebuttal and surrebuttal testimony on the rate design
10 issue in the question and answer format?

11 A. Yes, I did.

12 Q. And do you have any corrections to your
13 rebuttal testimony that you prepared and is marked as
14 Exhibits 63?

15 A. Yes, I do.

16 Q. And what are those changes?

17 A. Okay. The first one is to page 5 of my
18 rebuttal testimony, and I want to delete part of my answer
19 that starts on line 10 and goes on to line 11. The part
20 of that sentence I want to delete starts with the word
21 would, would stop a program and this led to gridlock. And
22 I want -- and I want to replace that with could prevent
23 recommended changes from being implemented, and this could
24 lead to gridlock.

25 Q. Okay.

1 MR. BOUDREAU: Okay. If I might ask the
2 witness to restate that so I can jot it down a little bit
3 slower.

4 THE WITNESS: Sure. I want to start on
5 page 5 of my rebuttal, lines 10 and 11. I want to start
6 with deleting the word would, and delete would stop a
7 program and this led to gridlock. And then actually, the
8 language I want to insert is in my surrebuttal, but it's
9 on page 4, lines 13 through 15 -- or 12, 14 and 15.
10 Starts with the word could and says, could prevent
11 recommended changes from being implemented, and this could
12 lead to gridlock.

13 BY MR. BERLIN:

14 Q. Do you have any more changes to your
15 rebuttal testimony?

16 A. Yes, I do. On page 7, on line 8, I'd like
17 to change Feinstein to Feingold. So it's Mr. Feingold,
18 F-e-i-n-g-o-l-d. And on page 19 -- I'm sorry. Not page.
19 On line 19, still on page 7, I want to change the "stated
20 earlier" to "discussed in the next section."

21 Q. And is that all the changes to your
22 rebuttal testimony?

23 A. Yes.

24 Q. Do you have any corrections to your
25 surrebuttal testimony that is marked as Exhibit 64?

1 A. No.

2 Q. And if you were asked the same questions
3 today in your rebuttal and surrebuttal testimony, would
4 your answers be the same?

5 A. Yes, they would.

6 Q. And are the answers you have provided to
7 the questions in your rebuttal and surrebuttal testimony
8 true and correct to your best information, knowledge and
9 belief?

10 A. Yes.

11 MR. BERLIN: Your Honor, I move to admit
12 into the record the rebuttal and surrebuttal testimony of
13 Anne Ross marked respectively as Exhibits 63 and 64.

14 JUDGE PRIDGIN: Mr. Berlin, thank you. 63
15 and 64 have been offered. Any objections?

16 MR. BOUDREAU: None.

17 JUDGE PRIDGIN: Thank you. Hearing none,
18 63 and 64 are admitted.

19 (EXHIBIT NOS. 63 AND 64 WERE RECEIVED INTO
20 EVIDENCE.)

21 JUDGE PRIDGIN: Mr. Berlin.

22 MR. BERLIN: Thank you, Judge. I tender
23 the witness for cross-examination.

24 JUDGE PRIDGIN: Mr. Berlin, thank you. It
25 might be quicker if I simply asked who wished to cross

1 Ms. Ross. Anybody wish cross-examination?

2 (No response.)

3 JUDGE PRIDGIN: All right. Ms. Ross, thank
4 you.

5 THE WITNESS: Wow. You're welcome.

6 JUDGE PRIDGIN: Like the other witnesses,
7 you may be subject to recall by the Commission, but you
8 may step down. Thank you very much. I understand we're
9 going to move on to Mr. Beck. Thank you. Come forward to
10 be sworn, please.

11 (Witness sworn.)

12 JUDGE PRIDGIN: Thank you very much, sir.
13 Please have a seat. Mr. Berlin.

14 DANIEL I. BECK testified as follows:

15 DIRECT EXAMINATION BY MR. BERLIN:

16 Q. Good afternoon, Mr. Beck.

17 A. Good afternoon.

18 Q. Please state your full name for the record.

19 A. Daniel I. Beck, B-e-c-k.

20 Q. And how long have you been employed by the
21 Commission?

22 A. Approximately 22 years.

23 Q. And what is your job title?

24 A. Engineering analysis supervisor in the
25 energy department.

1 Q. How long have you worked in that position?

2 A. Approximately seven years.

3 Q. And you are the Staff's expert witness on
4 class cost of service, correct?

5 A. Yes.

6 Q. And in the context of this case, did you
7 prepare section 3 titled allocations in Staff's class cost
8 of service report as marked as Exhibits 39 and -- NP and
9 40HC?

10 A. Yes, I did.

11 Q. And do you have any corrections to the
12 section on allocation at this time?

13 A. Yes. As stated in my surrebuttal
14 testimony, it was pointed out by MGE witness James
15 Cummings that my testimony was not consistent with my work
16 papers, and, in fact, the error was made in my testimony.
17 Let me find the right reference here.

18 MS. SHEMWELL: Judge, if I may approach?

19 JUDGE PRIDGIN: You may.

20 THE WITNESS: And as I described in my
21 surrebuttal testimony, this is -- is in regards to the
22 Staff class cost of service report, page 8, lines 2
23 through 12. There is a description of the mains
24 allocator, and instead of that, I believe it's five
25 sentence lengthy description, I would simply change the

1 first sentence, where the first sentence currently reads
2 the integrated component was allocated using a capacity
3 utilization factor, and those last three words, capacity
4 utilization factor, should be struck and in its place is
5 peak day demand allocator. And then those following four
6 sentences would also be struck because they describe a
7 capacity utilization factor which we did not use, and that
8 was my mistake.

9 MR. POSTON: Which page are we on? I'm
10 sorry.

11 THE WITNESS: Page 8.

12 MR. POSTON: Of?

13 THE WITNESS: I mean, it's page 8 of the
14 Staff class cost of service report that needs changed, and
15 that is -- that is described on pages 2 and 3 of my
16 surrebuttal testimony.

17 MR. POSTON: Okay.

18 MS. SHEMWELL: Could you be very clear
19 about exactly what lines should be struck from the Staff
20 report, please?

21 THE WITNESS: Okay. With the sentence that
22 begins on line 3, and it starts with this capacity
23 utilization factor, is the first four words on line 3, and
24 would continue on through the remainder of that paragraph
25 at -- which ends in line 12, and the last three words are

1 by each class. All that would be struck in between there.

2 MS. SHEMWELL: Thank you.

3 BY MR. BERLIN:

4 Q. And with that correction, is the
5 information contained in your section on allocation true
6 and correct to your best information, knowledge and
7 belief?

8 A. Yes, it is.

9 Q. Did you also cause to be prepared rebuttal
10 and surrebuttal testimony on class cost of service in a
11 question and answer format?

12 A. Yes, I did.

13 Q. Do you have any corrections to your
14 rebuttal testimony marked as Exhibit 47?

15 A. No, I do not.

16 Q. Do you have any corrections -- and I may
17 have stated, I may have said surrebuttal, but I mean
18 rebuttal testimony.

19 A. You said rebuttal.

20 Q. Okay. Sorry. Do you have any corrections
21 to your surrebuttal testimony that is marked as
22 Exhibit 48?

23 A. No, I do not.

24 Q. And if you were asked the same questions
25 today in your rebuttal and surrebuttal testimony, would

1 your answers be the same?

2 A. Yes, they would.

3 Q. And are the answers that you've provided to
4 the questions in your rebuttal and surrebuttal testimony
5 true and correct to your best information, knowledge and
6 belief?

7 A. Yes.

8 MR. BERLIN: Your Honor, I move to admit
9 into the record the rebuttal and surrebuttal testimony of
10 Dan Beck marked respectively as Exhibits 47 and 48.

11 JUDGE PRIDGIN: All right. Exhibits 47 and
12 48 are offered. Any objections?

13 MR. BOUDREAU: None.

14 JUDGE PRIDGIN: Hearing none, 47 and 48 are
15 admitted.

16 (EXHIBIT NOS. 47 AND 48 WERE RECEIVED INTO
17 EVIDENCE.)

18 JUDGE PRIDGIN: Mr. Berlin.

19 MR. BERLIN: I tender the witness for
20 cross-examination. Thank you.

21 JUDGE PRIDGIN: Mr. Berlin, thank you.
22 Does anyone wish cross of this witness? Mr. Poston.
23 Anyone else?

24 (No response.)

25 JUDGE PRIDGIN: All right. Mr. Poston.

1 MR. POSTON: Thank you.

2 CROSS-EXAMINATION BY MR. POSTON:

3 Q. Thank you. Just a follow-up on the
4 correction. Is it accurate that you developed the
5 capacity utilization factor in your work papers, you just
6 didn't use it?

7 A. That's correct.

8 Q. If this Commission orders MGE to use a
9 traditional rate design for residential and that rate
10 design collects the proper level of revenues from
11 residential customers, would you agree that it is likely
12 to result in fair and reasonable rates?

13 A. If it's so ordered by the Commission, yes.

14 Q. If it's ordered by the Commission, you
15 would agree that, under traditional rate design, if it
16 collects the proper level of revenues, that it would be
17 fair and reasonable, is that --

18 A. I mean, I think it's the Commission that
19 ultimately determines what is fair and reasonable, and if
20 they determine that it is, then that's my understanding of
21 what makes it fair and reasonable, is their determination.

22 Q. How about this: A rate design, if a
23 traditional rate design collects the proper level of
24 revenues, is that in your mind fair and reasonable?

25 A. I don't think that -- that -- that the

1 absolute only criteria would be collecting the correct
2 amount of revenues. I guess there's more to a rate design
3 than that, so I guess that's why I'm struggling with the
4 question. If that's -- if that's what the question -- if
5 that's -- my understanding of what you're asking me, in
6 that case I couldn't answer that, that I can't say that
7 question would be yes.

8 BY MR. BERLIN: Can I approach the witness?

9 JUDGE PRIDGIN: You may.

10 MR. POSTON: Judge, I only have one copy of
11 this, but I would like to mark it as an exhibit, and I can
12 have more copies made. I don't know what -- how you'd
13 like me to handle it.

14 JUDGE PRIDGIN: That's fine. We can just
15 make copies later. We're up to Exhibit 100 on my books.

16 (EXHIBIT NO. 100 WAS MARKED FOR
17 IDENTIFICATION BY THE REPORTER.)

18 BY MR. POSTON:

19 Q. I'll give you a minute to read over that.

20 A. Okay. I have.

21 Q. Is that -- the document I've handed you
22 that's been marked Exhibit No. 100, is that a Data Request
23 that I sent to you and you responded? Actually, is that
24 your response to a Data Request that I sent to you?

25 A. I think it's both, yes.

1 Q. And that's -- that's a Data Request that's
2 pertaining to this case; is that correct?

3 A. That's correct.

4 Q. And it's a question regarding rate design;
5 is that correct?

6 A. That's correct.

7 MR. POSTON: Your Honor, I move for the
8 admission of Exhibit 100.

9 JUDGE PRIDGIN: 100 has been offered. Any
10 objection?

11 MR. BOUDREAU: Well, I think I'd like to
12 see it, I guess is where I'm at on that. I'm not sure I
13 have an objection. I don't even know what it is.

14 MR. BERLIN: Staff would like to take a
15 look at that, too, please.

16 JUDGE PRIDGIN: Certainly.

17 MR. POSTON: I could have him read it in,
18 but it's an entire paragraph. This would probably be
19 easier.

20 JUDGE PRIDGIN: That's fine.

21 MS. SHEMWELL: Judge, if he's going to be
22 crossing Mr. Beck on that, it would be really nice if we
23 could have a copy of that. Shall we --

24 MR. POSTON: Judge, I'm done once -- after
25 this. I have no more questions about it.

1 MS. SHEMWELL: Thank you.

2 MR. POSTON: But she's welcome to see the
3 copy first.

4 JUDGE PRIDGIN: Thank you.

5 MR. POSTON: Can I approach again?

6 JUDGE PRIDGIN: You may.

7 BY MR. POSTON:

8 Q. Ms. Shemwell asked that I do a better job
9 of identifying that Data Request. What is the date of
10 that Data Request?

11 A. September 25th, 2009.

12 Q. And is that the date that you answered the
13 Data Request?

14 A. I believe that was the date that it was
15 asked.

16 Q. Okay. And when did you provide your
17 answer?

18 A. I see a date here of October 16th stamped
19 at the bottom, and that is approximately when I believe it
20 was answered. I didn't -- I didn't put this stamp on
21 there, but that's -- that sounds right to me.

22 Q. And what is the Data Request number?

23 A. No. 10, and it was specifically Public
24 Counsel Data Request to Staff No. 10.

25 Q. And that is your answer that is shown on

1 that Data Request; is that right?

2 A. That is correct.

3 MR. POSTON: Thank you. I move again for
4 Exhibit 100 to be entered.

5 JUDGE PRIDGIN: 100 has been offered. Any
6 objections?

7 MR. BOUDREAU: No.

8 JUDGE PRIDGIN: Hearing none, Exhibit
9 No. 100 is admitted into evidence.

10 (EXHIBIT NO. 100 WAS RECEIVED INTO
11 EVIDENCE.)

12 JUDGE PRIDGIN: Mr. Poston?

13 MR. POSTON: Should I take it back and make
14 copies?

15 JUDGE PRIDGIN: We can certainly make
16 copies at a break. That will be fine. Any further
17 questions? I'm sorry. Mr. Poston, any further questions?

18 MR. POSTON: I'm sorry. No.

19 JUDGE PRIDGIN: I'm sorry. Did anybody
20 else wish cross? Redirect? Any redirect?

21 MR. BERLIN: No, Judge.

22 JUDGE PRIDGIN: All right. Thank you very
23 much. Mr. Beck, you may step down. Again, you may be
24 subject to recall by the Commissioners. Thank you very
25 much.

1 Did the parties wish to go on to
2 Ms. Meisenheimer, Mr. Kind?

3 MR. POSTON: Ms. Meisenheimer, and I guess
4 maybe depending on how we're going, if we need to stop a
5 little early for Mr. Kind, I'd prefer starting with
6 Ms. Meisenheimer if we could.

7 JUDGE PRIDGIN: That's fine with me.
8 Ms. Meisenheimer, if you'll come forward and be sworn,
9 please.

10 (Witness sworn.)

11 JUDGE PRIDGIN: Thank you very much. If
12 you would please have a seat. Mr. Poston, anything before
13 she stands cross?

14 MR. POSTON: Just a moment, please.

15 JUDGE PRIDGIN: Certainly.

16 BARBARA A. MEISENHEIMER testified as follows:

17 DIRECT EXAMINATION BY MR. POSTON:

18 Q. Please state your name.

19 A. My name is Barbara Meisenheimer.

20 Q. And by whom are you employed and in what
21 capacity?

22 A. Missouri Office of the Public Counsel, and
23 I'm a chief utility economist.

24 Q. Are you the same Barbara Meisenheimer that
25 caused to be prepared and filed direct, rebuttal and

1 surrebuttal testimony that's been marked as Exhibit 72, 73
2 and 74?

3 A. Yes, I am.

4 Q. And do you have any corrections or changes
5 to your testimony?

6 A. I do have corrections and changes.
7 Starting with direct, on page 7, in the table for large
8 volume service rates, in the far column under proposed
9 rates, for April through October I have the word free, and
10 that was based on Mr. Feingold's Schedule 7, that he has
11 since indicated the rates were not zero, and so I
12 recognized, based on his acknowledgement of that, that the
13 rates above that were supposed to apply year round.

14 In rebuttal testimony, on page 6, line 18,
15 10 million which appears at the beginning of the line
16 should be 15 million. At page 11, there's a table that
17 begins at line 7 that should be labeled Table 3. Also
18 within that table, the last line, which appears on line 12
19 of that page 11, through the end of page 11, Mr. Beck
20 testified that he had developed but didn't use a capacity
21 utilization factor, and this portion of my testimony
22 responds to his factor that was developed in his work
23 papers, and so I would acknowledge that he did not, in
24 fact, use that factor.

25 On page 12, line 7, 30 percent appears. It

1 should be 31 percent, and where 31 appears at the end of
2 that line, it should be 32 percent.

3 MR. JOHNSTONE: What was that one?

4 THE WITNESS: That was in rebuttal, page
5 12, line 7, 30 should go up to 31, and 31 should go up
6 to 32.

7 In surrebuttal, on page 5, line 17, the
8 words additional and an should be reversed, so it should
9 read an additional.

10 On page 12, I was also responding to the
11 capital -- or the capacity utilization factor that was
12 developed by Mr. Beck in his work papers, and so to
13 correct on this page 12 for recognition that he didn't
14 actually use it in the class cost of service study,
15 beginning at line 2, with the word the, I would strike the
16 end of that line, all of line 3, and line 4 up to and
17 including the word higher.

18 BY MR. POSTON:

19 Q. Do you have more?

20 A. I have one more that appears, page 19
21 through -- it's page 19, lines 21, 22, on to the next
22 page, the first line, and then in the diagram that
23 appears, the Q3s need to be replaced as Q2. They need to
24 say Q2 instead of Q3, just to make the diagram and the
25 text consistent.

1 Q. My text says Q3.
2 A. It should say Q2.
3 Q. Oh, it should say Q2?
4 A. Yes.
5 Q. I'm showing both Q3 on the diagram and --
6 A. I know. I'm changing it so that there's
7 you -- a curve that's SAC2, short run average cost 2.
8 It's just to make everything consistent with that curve.
9 So on line -- on page 19, line 21 and 22, on page 20, line
10 1, I would change Q3 to Q2 so that it aligns with the
11 short run average cost curve No. 2, and then in the
12 diagram I would change Q3 that appears along the
13 horizontal axis to Q2.
14 Q. Okay.
15 A. Just to make everything consistent.
16 Q. Okay.
17 A. Little issue with the paint accessory. And
18 those are the changes that I would have to my testimony.
19 Q. With these changes, if I were to ask you
20 the same questions that appear in your testimony today,
21 would your answers be substantially the same?
22 A. Yes.
23 MR. POSTON: Your Honor, I offer
24 Exhibit 72, 73 and 74 into the record.
25 JUDGE PRIDGIN: 72, 73 and 74 are offered.

1 Any objections?

2 (No response.)

3 JUDGE PRIDGIN: Hearing none, 72, 73, 74
4 are all admitted.

5 (EXHIBIT NOS. 72, 73 AND 74 WERE RECEIVED
6 INTO EVIDENCE.)

7 MR. POSTON: And I tender the witness for
8 cross-examination.

9 JUDGE PRIDGIN: Mr. Poston, thank you. I
10 may inquire, who wishes cross of Ms. Meisenheimer? MGE.
11 Anyone else?

12 MR. BERLIN: The Staff has questions for
13 Ms. Meisenheimer.

14 JUDGE PRIDGIN: Okay. No other volunteers.
15 Mr. Berlin, when you're ready, sir.

16 CROSS-EXAMINATION BY MR. BERLIN:

17 Q. Good afternoon, Ms. Meisenheimer.

18 A. Good afternoon.

19 Q. I've got a few questions here and they're
20 pretty simple. I think they should take either a yes, no
21 or I don't know answer.

22 A. I'll do the best for you that I can.

23 Q. I know you will. The company currently
24 uses an SFV rate design, doesn't it?

25 A. Yes.

1 Q. And has been using SFV rate design the past
2 few years?

3 A. As -- yes, SFV as defined here at this
4 Commission, not as defined at the -- at FERC. I tried.

5 Q. I didn't ask about FERC, but all right.
6 Now, in this case you recommend that the Commission order
7 the company to go back to a traditional volumetric rate
8 design?

9 A. Yes.

10 Q. And you want your rate design, the old
11 volumetric rate design to have 55 percent of the cost of
12 service in a fixed customer charge?

13 A. Yes.

14 Q. And you want the other 45 percent of the
15 cost of serving customers to be put in a volumetric
16 charge?

17 A. For the residential class, yes.

18 Q. And that 45 percent of the total non-gas
19 charge, that amount of non-gas charge would vary based on
20 the amount of gas used?

21 A. You mean the amount of it recovered from
22 different customers?

23 Q. Well, 45 percent, the 45 percent of the
24 total non-gas charge linked directly to the amount of
25 volume, the amount of non-gas charges would vary based on

1 the volume of the gas used? You want me to ask you again?

2 A. I might ask you -- I might like you to ask
3 me differently. I'm not sure that I can answer the
4 question you think you're asking me.

5 Q. On the customer's bill, with the 45 percent
6 of the total non-gas charge that would vary according to
7 the volume, that same 45 percent of the total non-gas
8 charge of the customer's bill would also vary with the
9 amount of gas used by the customer?

10 A. It may or may not be 45 percent of the
11 customer's non-gas charges if that's what you're asking
12 me. Could it be more or less? Yes.

13 Q. Would you agree that under both rate
14 designs, rates are designed for the average customer?

15 A. Only for the average customer, no.

16 Q. Under both the SFV and the volumetric rate
17 designs, there is a number of CCFs of gas used to set
18 rates where both rate designs collect the same amount of
19 non-gas costs; would you agree with that?

20 A. That there should be some volume at which
21 they would collect the same amount? I can say yes.

22 Q. Okay. So the collection of non-gas costs
23 are intended to cover the cost of service for the
24 residential customers?

25 A. For the class, yes.

1 Q. Under that volumetric rate design, does the
2 company earn less non-gas margin in a warmer than normal
3 winter?

4 A. Earn less --

5 Q. Yes.

6 A. -- in a -- did you say warmer than or
7 colder?

8 Q. Under the volumetric rate design, does the
9 company earn less non-gas margin in a warmer than normal
10 winter?

11 A. They could, yes.

12 Q. And so under the volumetric rate design,
13 does the customer pay more non-gas margin in a colder than
14 normal winter?

15 A. Yes, they could.

16 Q. Okay.

17 A. And you keep calling it a volumetric rate
18 design. It has a fixed component and a volumetric
19 component.

20 Q. I understand, but we're -- you just said
21 45 percent of that is volumetric?

22 A. Yes. I'm fine with these answers if we are
23 limiting our discussion to that volumetric component.

24 Q. We are.

25 A. Okay.

1 Q. So under this volumetric rate design, the
2 company sells more gas, it makes more money, right?

3 A. Yes.

4 Q. But under the SFV rate design, the company
5 has no incentive to sell more gas, it makes the same
6 amount of money no matter what?

7 A. It has an incentive to add customers that
8 will use more gas.

9 Q. That wasn't exactly the question I had
10 asked. Under the SFV rate design, the company doesn't
11 have an incentive to sell more gas to an individual
12 customer?

13 A. To an existing customer?

14 Q. Yes.

15 A. I'd say that that's true.

16 Q. Okay. Now, not having that incentive to
17 sell more gas is consistent with good energy conservation
18 policy, isn't it?

19 A. It may be.

20 Q. Under the SFV rate design, the customer
21 pays one levelized non-gas margin cost all year?

22 A. Every month of the year?

23 Q. Yes.

24 A. Yes.

25 Q. Now, in your Table 4 on page 12 of your

1 direct testimony, do you have that in front of you?

2 A. Yes.

3 Q. Now, if a customer under the SFV rate
4 design buys 200 CCF during a full winter month, the
5 customer pays the levelized charge of \$24.62 --

6 A. Yes.

7 Q. -- isn't that what your Table 4 says?

8 A. Yes.

9 Q. One level charge?

10 A. Uniform charge.

11 Q. Of course, the gas is a separate charge to
12 the customer's bill?

13 A. The commodity, which the commodity rates
14 are not at issue in this case.

15 Q. Now, under the volumetric rate design, that
16 same customer buying 200 CCF will pay \$44.53, and that is
17 \$19.91 more than the levelized non-gas charge of \$24.62;
18 would you agree?

19 A. I would agree with the clarification that
20 we are no longer now just talking about the volumetric
21 45 percent. This includes the customer charge as well.

22 Q. Right. Now, that extra \$19.91 goes from
23 the customer to the company?

24 A. Yes.

25 Q. So the company does have an incentive to

1 sell more gas?

2 A. Yes.

3 Q. Now, looking at page 4, line 23 in your
4 direct testimony, you say, and I'm quoting your words,
5 quote, setting non-gas rates in a manner that recovers a
6 portion of cost based on volumes creates a financial
7 incentive for a customer to turn back the thermostat and
8 to reduce the gas used for cooking and water heating,
9 unquote. Is that a correct reading?

10 A. You were going faster than me. I'm on page
11 4, I don't disagree that I said that. I'm just asking you
12 for a cite to the line.

13 Q. Line 23.

14 A. Line 23. Yes.

15 Q. And so under the volumetric rate design,
16 the company has the incentive to sell more gas because it
17 makes more money and the customer has an incentive to cut
18 back?

19 A. Yes.

20 Q. Do you like the idea of the company making
21 more money off the customer when it sells more gas?

22 A. The customer has the ability to reduce
23 their usage and not --

24 Q. That's not the question, though. I just
25 asked if you like the idea that the company makes more

1 money off the customer when it sells more gas to that
2 customer?

3 A. I view it as something that was accepted
4 for many years as a just and reasonable way to collect --

5 Q. I just asked if you like that idea of the
6 company having an incentive or rather to make more money
7 off the customer when it sells the customer more gas? You
8 like that?

9 A. I don't know that I -- that at this moment
10 that I'm feeling like. I don't -- I don't think I'd agree
11 with the term like.

12 Q. We'll move on. Does paying a higher gas
13 bill, like the extra \$19.91 I just talked about, does a
14 higher gas bill increase a customer's ability to afford
15 efficiency investments?

16 A. Are you talking about for a particular
17 customer? Because on here some customers pay more and
18 some pay less.

19 Q. No. I'm talking about the customer that
20 pays that extra \$19.91 to the company, does that help the
21 customer afford more efficiency investments?

22 A. It depends on whether that customer chooses
23 to reduce their usage and no longer be a customer.

24 Q. Well, let me ask you --

25 A. They'll pay 19.91 extra.

1 Q. Would that \$19.91 be \$19.91 the customer no
2 longer has in the customer's own pocket to make energy
3 efficiency investments because that \$19.91 just went to
4 the company?

5 A. If the customer continued at that level of
6 use, yes.

7 Q. So is it good energy policy to have an
8 incentive for the company to sell more gas?

9 A. Maybe, depending on what the alternative
10 considerations are.

11 Q. About your proposal to go back to the past
12 volumetric rate design, and you want 45 percent of the
13 cost of service to be put in that volumetric component,
14 and I believe you did agree that that 45 percent will vary
15 based on customer gas usage?

16 A. It wouldn't be 45 percent necessarily for
17 each and every customer. Some would be more. Some would
18 be less.

19 Q. So are you saying that the volumetric
20 component of the volumetric rate design changes, and that
21 if it changes, then the fixed part of it that you propose
22 also changes?

23 A. No. I'm -- I'm saying that once the rate
24 is determined, some customers using less and some using
25 more will alter the total amount of the volumetric charges

1 collected from those customers.

2 Q. Now, let's take a look at specific
3 individual costs to serve a particular residential
4 customer. Would you agree that it costs MGE more to serve
5 a customer that is five miles from the city gate than it
6 does to serve a customer only 500 feet from a city gate,
7 all other factors held equal?

8 A. I wouldn't disagree with it.

9 Q. Does the volumetric rate design you propose
10 accurately collect that cost difference?

11 A. Does the volumetric -- I'm sorry. Can you
12 repeat the question?

13 Q. Does the volumetric rate design that you
14 are proposing this Commission order the company to return
15 to, does that volumetric rate design accurately collect
16 the cost difference of the cost of MGE serving a customer
17 500 feet from the city gate to a customer that is five
18 miles from the city gate?

19 A. Probably no better than the straight fixed
20 variable rate design that's been proposed.

21 Q. That's not the question. I want to know if
22 the volumetric component of your volumetric rate design
23 accurately collects the cost difference of the company in
24 serving the customer that is five miles from the city gate
25 versus the one that is 500 feet from the city gate?

1 A. No -- no party in this case that I'm aware
2 of has calculated the difference in costs of a customer
3 being five miles versus five feet from the city gate.

4 Q. So I take it your answer is no?

5 A. I think my answer would be I don't know.

6 Q. Okay. Would you agree that the company's
7 cost of serving a customer in a new subdivision is more
8 than the cost of serving a customer in a 25-year-old
9 subdivision, all other factors being held equal?

10 A. Was the plant contributed or did the
11 company incur the costs to put the plant in the ground?

12 Q. I'm just talking about the cost of serving
13 a customer in a new subdivision, all the equipment costs
14 that go into serving that new customer in a new
15 subdivision as opposed to the costs the company has in the
16 equipment serving a 25-year-old subdivision, all other
17 things being equal, would you agree that there's a
18 difference there?

19 A. I don't know. If the plant was
20 contributed, I don't know that there would really be a
21 difference. If the plant was not contributed and the
22 company installed the plant, incurred the investment, and
23 therefore would earn a return on it within the context of
24 setting rates.

25 Q. So your answer is I don't know?

1 A. Okay.

2 Q. Is that fair?

3 A. Well, I was trying to give you a little
4 more than that, but I --

5 Q. I was only asking about a customer in a
6 brand-new subdivision that has just been installed versus
7 a subdivision that's 25 years old and has been taking gas
8 service for 25 years. So there are some cost differences
9 there, correct?

10 A. There --

11 Q. Can we agree on that?

12 A. There could be cost differences. Whether
13 they're ones that would be recovered in rates was the part
14 that I was questioning.

15 Q. So does the volumetric rate design you
16 propose collect accurately any of the cost difference of
17 that service to a brand-new subdivision and the difference
18 of serving the old 25-year-old subdivision?

19 A. If you want a one word answer, my answer --
20 or a simple answer, my answer is I'd have to say that I
21 don't know.

22 Q. Okay. Would you agree that it costs the
23 company more to install mains service to a customer in a
24 rocky, mountainous terrain than it does to serve a
25 customer on flat farmland?

1 A. Yes.

2 Q. Does the volumetric rate design you propose
3 accurately collect that cost difference?

4 A. I don't know.

5 Q. Would you agree it cost the company more to
6 respond to a customer that calls customer service five
7 times a year than it does to serve a customer that does
8 not call customer service?

9 A. For that component of cost, I'd say yes.

10 Q. Does the volumetric rate design you propose
11 accurately collect that cost difference?

12 A. I'm -- I'm trying to come up with a way to
13 get where or what I think that you're getting at. We
14 don't calculate or we didn't develop rates based on each
15 particular cost component, and so my answer to this line
16 of questions would be that I don't know that they
17 collected exactly.

18 Q. Well, you would agree, then, that we do not
19 tailor a customer's bill to include the specific cost
20 causation factors I just asked you about?

21 A. We don't tailor it to do that exactly.

22 Q. Okay. So if the company itemized out all
23 the specific costs by an individual customer, wouldn't
24 each customer pay a different cost of service?

25 A. That could be done.

1 Q. To list specific cost causation factors by
2 individual customers would be an enormously complex
3 process, wouldn't it?

4 A. Yes.

5 Q. Recognizing the cost factors I just asked
6 you about, would you agree we set rates on the average
7 residential customer?

8 A. We set components of rates.

9 Q. Well, then, would you --

10 A. But rates can be designed in a way that
11 allows for variation in certain characteristics within a
12 class.

13 Q. Well, but -- but you just, I believe,
14 through the questions I just asked you about those
15 specific cost causation factors, you -- you agreed, to the
16 best of your knowledge, we don't accurately reflect those
17 cost causation factors in a specific customer bill?

18 A. What I was trying to point out, for
19 example, is in cases where, for example, we might have a
20 seasonal differential in rates, we recognize in designing
21 rates that we're not really address -- or designing rates
22 that address an average usage. We recognize that there
23 are differences in summer perhaps than winter usage.

24 Q. But Ms. Meisenheimer, I didn't ask about
25 seasonal differentials. I guess my question is, would you

1 agree we do not try to capture those cost differences from
2 each individual customer?

3 A. I'd agree with that.

4 Q. Okay. And now, would you agree that the
5 average customer that buys 796 CCF a year has the same
6 equipment as the customer that buys 500 or 1,000 CCF?

7 A. Which equipment?

8 Q. The same equipment to serve the customer
9 such as regulators, the service slides, the meters?

10 A. The same, generally the same equipment on
11 the customer premise, yes.

12 Q. So when the customer buys in one month,
13 say, 60 CCF or 160 CCF, the company does not change its
14 investment to meet that customer's needs?

15 A. No, and that's why we proposed that those
16 types of costs be collected in a uniform customer charge.

17 Q. Okay. Thank you. I'm sure your attorney
18 will be able to help you out on that later.

19 Now, the company doesn't have to add or
20 change its distribution system investment if a residential
21 customer decides to expand the use of gas from only
22 cooking to include space and water heating, does it?

23 A. Maybe not, no.

24 Q. The company distribution system can handle
25 such a change in the customer's end uses of gas?

1 A. Yes.

2 Q. And so the distribution system can handle
3 the customer's change in demand for gas?

4 A. It very well may be able to, but it's
5 designed to serve far -- or more customers than are
6 probably taking service at any point in time.

7 Q. Thank you. When a customer expands or cuts
8 back his end uses for gas, you would agree the company
9 does not measure the individual demand of a residential
10 customer like the company measures the demand of a large
11 industrial customer?

12 A. I'm sorry. Can you ask me again?

13 Q. Would you agree the company does not
14 measure the individual demands of a residential customer
15 like the company measures the demand of a large industrial
16 customer?

17 A. In terms of frequency or some other?

18 Q. Just in terms of demand.

19 A. Demand during a peak period? Total
20 volumes? They do measure the volumes for residential
21 customers.

22 Q. So you --

23 A. On a monthly basis.

24 Q. Then I take it you would agree that --

25 MR. POSTON: Judge, I just want to

1 interrupt and ask that he let her please finish her
2 answers. He's been repeatedly interrupting her before she
3 finished her answers. I just ask that he will allow her
4 to finish.

5 JUDGE PRIDGIN: I think he's trying to lead
6 her, and I think he's entitled to do that. So if he
7 thinks he's not leading her -- or excuse me. If he thinks
8 she's not answering a leading question, he can cut her
9 off.

10 MR. POSTON: You don't think he needs to
11 make some objection, he can just interrupt her and cut her
12 off?

13 JUDGE PRIDGIN: Or he can ask me. He can
14 say, Judge, I don't think she's being responsive, and we
15 can deal with it that way. I think the question was would
16 you agree, and I may remember it wrong.

17 MR. BERLIN: That's correct.

18 JUDGE PRIDGIN: If you want to ask that
19 question again.

20 BY MR. BERLIN:

21 Q. I think it's a pretty straightforward
22 question here. Would you agree that the company does not
23 measure the individual demand of a residential customer
24 like the company measures the demand of a large industrial
25 customer?

1 MR. POSTON: I think that was asked and
2 answered.

3 JUDGE PRIDGIN: Mr. Berlin.

4 MR. BERLIN: Maybe I didn't hear the
5 answer. So is that yes?

6 THE WITNESS: I was trying to say that I
7 don't understand his question.

8 JUDGE PRIDGIN: Fair enough.

9 THE WITNESS: I don't think that his
10 question is detailed enough that I can give an answer.

11 JUDGE PRIDGIN: That's a fair answer.

12 BY MR. BERLIN:

13 Q. Does MGE install demand meters on a
14 residential customer's service connection?

15 A. It does install meters.

16 Q. But are they demand meters?

17 A. They measure use. If you mean a special
18 meter that sends signals on a more frequent basis, I'm not
19 sure what you're asking me.

20 Q. I was asking if you believe the company
21 installs demand meters on a residential customer's service
22 connection?

23 A. I don't understand your use of the word
24 demand in that question. I'm happy to try to answer.

25 Q. Would you agree that the meters that the

1 company does install on a residential service connection
2 measure the volume of gas?

3 A. Yes.

4 Q. On page 9 of your direct testimony, line 8,
5 you talk about components of the company's costs that vary
6 with use, and you use the example of measuring/regulating
7 of equipment at the city gate. You say this investment
8 is, I'm quoting your words, associated with the volumetric
9 flow of gas to the system and are, therefore, reasonably
10 recovered on a per unit basis through a volumetric rate,
11 unquote. Is that a fair reading of your testimony?

12 A. Yes.

13 Q. Okay. So if I'm a residential user, if I
14 used an extra 100 CCF in a month, does the company have to
15 buy more measuring and regulating equipment?

16 A. No, not necessarily. No, not necessarily.

17 Q. Has Public Counsel developed cost -- a cost
18 of service for residential customers that quantifies the
19 difference in annual cost to serve individual customers
20 and various annual usage levels?

21 A. No.

22 Q. Okay. Thank you. About the 45 percent
23 volumetric charge you propose, is the 45 percent
24 volumetric charge based on any cost of service study done
25 by you?

1 A. I'd say yes to that.

2 Q. And --

3 A. And I'd be happy to explain that answer.

4 Q. No. I'd just like you to direct me to it
5 in your testimony. What cost of service study did you do
6 that you have based your 45 percent volumetric charge on?

7 A. I did a cost of service study and updated
8 it throughout the different rounds of this testimony.
9 Within the cost study, I identified what I said were the
10 costs that were directly attributable to a customer, in
11 other words, those costs that are similar within the
12 residential class, and developed a customer charge
13 recommendation.

14 And then I compared that recommendation to
15 the 55 percent that we're recommending in terms of a rate
16 design recommendation. So I do think it is related to a
17 cost of service study that is in my testimony.

18 Q. Okay. Can you direct me to a page in your
19 testimony that shows that the 45 percent volumetric charge
20 that you're proposing is based on a specific cost of
21 service study? Do you have a page?

22 A. I would direct you to page 26 of my
23 surrebuttal.

24 Q. Okay. I think you just answered my
25 question.

1 A. I have referenced it in other parts of my
2 testimony that I filed, and I would appreciate the
3 opportunity to point you to those locations as well.

4 Q. Well, you did point me to page 26 of your
5 surrebuttal.

6 A. That was only one. That wasn't a complete
7 answer based on your question. If you don't want a
8 complete answer, then I'll be happy to stop now.

9 Q. So you don't have any -- any one page that
10 has a specific cost of service study that you did that you
11 base that 45 percent volumetric charge on?

12 A. I disagree with that. I think that on page
13 26 of my testimony, I do talk about the 55 percent
14 relative to the -- the costs they identified as direct
15 costs, and that also relates to in my surrebuttal, we'll
16 use for example since you didn't want me to go back and
17 point it out in my other rounds of testimony, I'd point
18 you to Schedule BAM surrebuttal dash 8 where I do identify
19 that -- where that \$12.36 was developed.

20 Q. And so you've pointed me to some pages, and
21 those pages will tell me that that volumetric charge
22 should be 45 percent and not 43 percent or 48 percent?

23 A. No. I think there's a range, a range that
24 it reasonably could be. I was trying to answer your
25 question about where in my testimony do I relate those

1 things.

2 Q. Okay. Thank you. Now, would you agree
3 that the distribution system is designed around the peak
4 day load requirements?

5 A. I would agree that that is a significant
6 factor.

7 Q. Do the costs of this investment and
8 distribution system reflect the economies of scale of
9 serving that customer class?

10 A. It'd make it more general and say that it
11 reflects economies of scale of serving all customer
12 classes.

13 Q. Okay. Under the current SFV rate design,
14 if the company loses customers, would the company also
15 lose revenue?

16 A. Yes.

17 Q. And if the company loses customers and
18 loses revenue, it may earn less than its revenue
19 requirement?

20 A. It may earn less than the amount that was
21 set in a rate case as a target opportunity.

22 Q. So you would agree, then, that the loss of
23 customers pose a risk to company earnings?

24 A. It could, yes.

25 Q. Now, would you agree the company may not

1 earn its authorized revenue requirements if it operates
2 sloppily or inefficiently?

3 A. It -- it's -- I would agree that it may not
4 earn the amount that was determined in a rate case.

5 Q. Okay.

6 A. As its -- the return it's given an
7 opportunity to earn.

8 Q. Okay. So even under the current SFV rate
9 design, the company still has a risk of not collecting its
10 revenue requirement?

11 A. The targeted revenue requirement, yes, I
12 would agree with that.

13 Q. Now, Ms. Meisenheimer, are you familiar
14 with MGE witness Dr. Thompson's study that shows the
15 relationship between residential gas customers' usage of
16 natural gas in MGE's service territory and their income
17 levels?

18 A. I am familiar with the study that relates
19 income levels in zip codes.

20 Q. And that would be Thompson's study?

21 A. Yes. It doesn't address individual
22 customers.

23 Q. So can we agree that Dr. Thompson's study
24 finds that the relationship is U shaped, meaning that
25 households in the lowest and highest income groups use the

1 most gas?

2 A. I do not agree that that's what his study
3 shows.

4 Q. Well, if I'm looking at your surrebuttal,
5 page 2, lines 11 through 13 with regard to this study, you
6 say, I do not believe that Dr. Thompson's study, and I'm
7 quoting, is --

8 A. Can you give me a line? Give me a line
9 number and that way I'll be able to keep up with you.

10 Q. Lines 11 through 13.

11 A. Okay.

12 Q. Page 2.

13 MR. POSTON: Which? Surrebuttal?

14 BY MR. BERLIN:

15 Q. Yes. And I -- I'll quote again here. You
16 say, I quote, I do not believe that Dr. Thompson's study
17 is sufficiently disaggregated to compare specific patterns
18 of income and consumption for low and high income
19 households, unquote. Is that a fair reading of your
20 testimony?

21 A. Yes.

22 Q. But would you agree that Dr. Thompson's
23 study finds, makes the finding that that relationship is U
24 shaped?

25 A. His -- his study relates to the average

1 income in the zip code. It doesn't relate to individual
2 households, and that's why I'm -- I can't agree with that.

3 Q. Okay. And in that study, Dr. Thompson
4 looked at about 180 zip codes inside MGE's service
5 territory, didn't it?

6 A. I don't remember the exact number, but I
7 wouldn't dispute 187. I don't know that I --

8 Q. Okay. Now, on one of your studies, you
9 rely on a 1997 residential energy consumption survey that
10 addresses gas consumption and expenditures per household
11 by household income, and you're familiar with that study?

12 A. I have used more recent data than that in
13 this case, but yes, I'm -- I'm familiar with that. I
14 referenced those studies in my testimony.

15 Q. And the study you rely on is based on
16 census data from the west north central states; is that
17 right?

18 A. The midwest region north central, yes.

19 Q. And Missouri is one of the seven states in
20 that region?

21 A. Yes.

22 Q. And the other states combined with
23 Missouri, would you agree, are Iowa, Minnesota, Nebraska,
24 North Dakota, South Dakota and Kansas?

25 A. I don't have that list in front of me here,

1 but that sounds generally right. Missouri's the -- I
2 would say the southeasternmost state in the group.

3 Q. Okay. So except for Kansas, all other
4 states in your study are north of Missouri?

5 A. Yes.

6 Q. You also rely on findings from the LIHEAP
7 Home Energy Notebook for fiscal years 2004 and 2007; is
8 that correct?

9 A. Yes.

10 Q. And that study is also based on the
11 aggregate seven west north central states I just
12 mentioned?

13 A. Parts of it are based on that, and parts of
14 it are even -- parts of it represent the entire U.S.

15 Q. And you also refer in your testimony to a
16 consumer expenditure survey done by the U.S. Department of
17 Labor's Bureau of Statistics. You're familiar --

18 A. Bureau of Labor Statistics, yes.

19 Q. And that study is based on the aggregate
20 results of all 50 states?

21 A. Yes. I don't -- I don't think I took
22 that -- I don't think that I had that searched to a
23 smaller area.

24 Q. Okay. So you rely on studies with results
25 aggregated from seven states, of which five states are

1 directly north of Missouri, and the aggregated results of
2 all 50 states to draw your conclusions on the low income
3 customers in MGE's service territory?

4 A. Individual households, yes --

5 Q. Okay.

6 A. -- in those areas.

7 Q. Okay. Now, with regard to LIHEAP,
8 referring to your surrebuttal, page 4, lines 13 to 14, and
9 you say, and I quote, in fact, only about 30 percent of
10 households eligible for LIHEAP actually receive
11 assistance, unquote.

12 A. Yes.

13 Q. Okay. Now go to Schedule 1, page 3. I
14 believe that is the LIHEAP Home Energy Notebook for FY
15 2007. As you recall, it was one of the government studies
16 you consulted?

17 A. And what -- what -- what schedule?

18 Q. Schedule 1, page 3.

19 A. Okay. I'm there.

20 Q. The LIHEAP Home Energy Notebook for FY
21 2007.

22 A. Yes. And it shows a graph.

23 Q. Yes. And so that study says, if you go
24 down a couple lines, and I quote the study, quote, by
25 fiscal year 2007, 16 percent of LIHEAP income eligible

1 households receive those benefits, unquote. Do you see
2 that in your schedule?

3 A. Yes.

4 MR. BERLIN: No further questions.

5 JUDGE PRIDGIN: Mr. Berlin, thank you.

6 Mr. Boudreau?

7 MR. BOUDREAU: Yes, thank you.

8 CROSS-EXAMINATION BY MR. BOUDREAU:

9 Q. Ms. Meisenheimer, I want to ask you a
10 little bit about your direct testimony to begin, if you
11 have that handy.

12 A. Yes.

13 Q. I want to direct you to page 3, and at
14 lines 7 through 10 you talk about a number of different
15 characteristics or features of what you refer to as
16 traditional rate design. Do you see that?

17 A. What line? I'm sorry.

18 Q. I'm sorry. Lines 7 through 10 on page 3 of
19 your direct.

20 A. Yes.

21 Q. Okay. One of which is you state that low
22 use customers paid less than high use customers. Do you
23 see that?

24 A. Yes. I say that with respect to
25 controlling the non-gas portion of the bill.

1 Q. You kind of -- you kind of beat me to the
2 punch on that one. So you're talking about the customer
3 charge, is that what you're talking about?

4 A. I'm talking about the non-gas portion of
5 the bill, which would, under traditional rate design,
6 include both the fixed customer charge amount and a
7 volumetric based recovery.

8 Q. So under straight fixed variable, though,
9 if we talk about the bill the customer gets, the customer
10 will get a customer charge that represents the fixed
11 charges to -- or the fixed costs to serve that particular
12 customer as determined by the Commission, right, the rates
13 that are in effect now? It will be a two component bill
14 basically, it will be a fixed charge and then the
15 volumetric charge, the PGA, what they pay for gas; isn't
16 that correct?

17 A. That's correct. It's not apples to apples
18 with what I'm describing at this point in my testimony.

19 Q. Let me circle around, then. With respect
20 to your statement, low use customers paid less than high
21 use customers, I guess my question to you is, that's also
22 true under a straight fixed variable rate design, isn't
23 it, in that the fixed customer charge plus the commodity
24 charge for a low use customer will by definition be less
25 than a fixed customer charge plus a commodity charge for a

1 high use customer?

2 A. I don't disagree with that, but it's not
3 apples to apples with what's described in that statement
4 and my testimony which refers only to the non-gas portion.
5 It does not build in a commodity.

6 Q. I understand that you haven't built in the
7 commodity, but you've made a statement here that the low
8 use customers pay less than the high use customers under
9 the traditional rate design. That's your testimony?

10 A. Yes, specific to the non-gas --

11 Q. I understand how you're refining it. I'm
12 just saying that under the straight fixed variable, that's
13 also true, if you take both of the rate components
14 together, the low use customer pays less than the high use
15 customer?

16 A. I don't disagree. I don't think it's the
17 same context.

18 Q. In this case, from just generally referring
19 to pages 3 and 4 of your direct testimony, the Public
20 Counsel is recommending that, you call it, I think, a
21 return to traditional residential rate design; is that
22 correct?

23 A. That's a fair characterization.

24 Q. And that's similar to the rate design that
25 was ordered for MGE in its 2004 rate case; is that

1 correct?

2 A. Yes.

3 Q. And is this the same as your recommendation
4 was in the 2006 rate design?

5 A. Yes.

6 Q. Or rate case. Excuse me. And the
7 recommendation, I think, is also consistent in terms of
8 percentages of the --

9 A. Yes.

10 Q. -- split, is that correct, the 55/45?

11 A. 55/45, yes.

12 Q. I understand. Thank you. In the 2004 rate
13 case, I think MGE proposed to the Commission that some --
14 that the fixed charge component, more of the fixed charge
15 costs -- let me rephrase this.

16 I think MGE recommended or requested that
17 the Commission shift more of the fixed costs into the
18 customer charge element of the bill, higher than the
19 current percentage at that time; isn't that correct?

20 A. In which case?

21 Q. The 2004 rate case. Do you recall?

22 A. I --

23 Q. If you don't, that's fine. I thought you
24 might just recall.

25 A. If -- if I remember correctly, the 2004

1 rate case actually at the time it was initiated had a
2 lower customer charge than the 55 percent, and the
3 company --

4 Q. I thought that was different than what we
5 just talked about. That's all right. I'll move on.

6 A. In the 2006 case, we --

7 Q. The 2006 case, I think the company proposed
8 either two things, straight fixed variable rate design or
9 a weather normalization clause?

10 A. Yes. But back in the case before that,
11 what I was saying was I think, yes, probably the company
12 proposed more collection in the -- in the customer
13 component.

14 Q. And do you recall whether Public Counsel
15 opposed that proposal?

16 A. I -- I didn't actually do that component of
17 testimony in that case.

18 Q. Fair enough. You were involved in the 2006
19 rate case?

20 A. Yes, I was.

21 Q. And Public Counsel opposed straight fixed
22 variable rate design in that rate case?

23 A. Yes, and the weather normalization
24 proposal, yes.

25 Q. I want to talk generally about your

1 testimony at pages 15 through 19 of your direct testimony.

2 I want to talk about that kind of in the aggregate.

3 That's a discussion, I believe, under the heading the
4 purpose of regulation. The heading is Traditional Rate
5 Design is Consistent with the Purpose of Regulation.

6 A. Okay.

7 Q. And then from that page through page, I
8 believe, 19, part of the way through page 19, you discuss
9 that particular topic. Are you with me?

10 A. Yes.

11 Q. I notice that you didn't mention in that
12 discussion Senate Bill 179.

13 A. I don't think I did.

14 Q. Do you know when that bill was enacted?

15 A. I don't. That's something that I'm sure
16 Mr. Kind could probably talk to you about.

17 Q. Do you recall if it was 2005?

18 A. I don't recall.

19 Q. Okay. Now, if it were 2005 -- and maybe
20 I'll pursue the actual date with Mr. Kind. But if, in
21 fact, it were cast in 2005, that would have been in
22 between MGE's 2004 rate case and its 2006 rate case,
23 right?

24 A. Yes. I'm trying -- do you have a copy of
25 that? I'm trying to remember whether it applied to gas at

1 all or just electric.

2 Q. I don't have a copy of it with me. I'm
3 sorry.

4 A. Then I probably don't know enough about
5 this to be commenting further.

6 Q. I'll move on. I was just targeting dates,
7 if you knew the dates.

8 I want to direct your attention to page 5
9 of your direct testimony, and specifically there's a
10 question at the top, at line 5 you start answering the
11 question, and on lines 5 and 6 you talk about the -- that
12 the customers have received in your terms a limited
13 benefit from the energy efficiency. Do you see that?

14 A. Yes.

15 Q. Do you recall -- or let me put it this way.
16 You would agree with me, wouldn't you, that MGE did not
17 administer any energy efficiency programs at the time it
18 filed its 2006 rate case?

19 A. I think it had a weatherization program,
20 low income weatherization program.

21 Q. Fair enough. Do you know whether they
22 administered the program or whether they just funded
23 agencies?

24 A. I think they funded agencies. I'm sorry.
25 I didn't catch the --

1 Q. That's fine. And I appreciate --

2 A. -- the qualifier in your question. I'm
3 sorry.

4 Q. I appreciate the distinction, and it's a
5 fair one. They didn't really administer the low income
6 weatherization program?

7 A. I think that's true.

8 Q. Okay. So as far as energy efficiency
9 programs, excluding the low income weatherization, the
10 company is basically starting from scratch, wasn't it, at
11 the time that the Commission authorized straight fixed
12 variable rate design?

13 A. I'm trying to remember if the company
14 didn't have a low income program in part of its service
15 territory where there was a requirement to have homes
16 weatherized.

17 Q. So you don't know?

18 A. I'm going to have to say I don't know.

19 Q. Other than the one that you're trying to
20 recall, was there anything else that you're aware of that
21 the company was doing in terms of administering energy
22 efficiency programs as of the time it filed its 2006 rate
23 case?

24 A. Not that I know of.

25 Q. And so following up on that, I guess you

1 wouldn't know whether MGE had any employees dedicated to
2 running any of those programs or any such programs?

3 A. If they didn't have those programs, I doubt
4 that they would have had someone dedicated to -- to
5 administering them.

6 Q. Good answer. In fact, the company was
7 frank in the -- in its 2006 rate case that it would take
8 some time to get up and running, get those programs up and
9 running, wasn't it?

10 A. I worked on that case, and I remember the
11 company coming in with what it considered to be a package
12 for its water heater program.

13 Q. Do you recall -- I mean, you were the
14 witness for the Public Counsel in that case on the issue
15 of rate design, weren't you?

16 A. I was.

17 Q. Do you recall an exchange between Mr. Hack
18 for the company and Commissioner -- then Commissioner
19 Applling about the level of funding for energy efficiency
20 programs?

21 A. I may -- I may recall if you start me down
22 the right path.

23 Q. Well, we may come back to that.

24 You would agree with me, would you not,
25 that a collaborative was established in a subsequent

1 docket to facilitate the roll-out of energy efficiency
2 programs by Missouri Gas Energy?

3 A. Yes.

4 Q. And that representatives of that
5 collaborative included MGE, Staff, Public Counsel and
6 Missouri Department of Natural Resources?

7 A. At least those.

8 Q. You think -- were there others?

9 A. I think others could have participated. I
10 didn't participate in those, so I don't know if the others
11 who could have did.

12 Q. Fair enough. Are you aware that
13 Mr. Hendershot for MGE has filed testimony in this case
14 describing the current status of those efforts?

15 A. Yes. Generally, yes.

16 Q. And would you agree with me that adoption
17 by the Commission of the traditional rate design which
18 you're recommending would effectively pull the plug on
19 these programs now that they're up and running?

20 A. I understand that the company claims to be
21 unwilling to continue those programs if they don't
22 continue the straight fixed variable rate design as it's
23 been proposed here.

24 Q. Okay. Would you agree with me that those
25 energy efficiency programs are worthwhile efforts on the

1 part of the company?

2 A. I believe that efficiency programs are, and
3 I think Mr. Kind is better able to speak to our impression
4 of the effectiveness of those programs as they are today.

5 Q. You are aware that Missouri Department of
6 Natural Resources is a party to this proceeding?

7 A. Yes.

8 Q. And that they characterize it or are strong
9 advocates of the energy efficiency programs and even
10 expansion of those programs; would that be a fair
11 statement in your view?

12 A. I have limited -- I -- I'd say that
13 generally I would agree with that, but based on the
14 limited review that I did of their testimony.

15 Q. I want to move on to page 12 of your
16 testimony.

17 A. Direct?

18 Q. Yes. Thank you. Page 12 of your direct.
19 You have a Table 4 that talks about residential bill
20 impacts?

21 A. Yes.

22 Q. Now, I believe it was your testimony in the
23 last case, and I suspect it's probably your testimony in
24 the current case, that it's your belief that there's a --
25 that higher income households are higher users of natural

1 gas general -- you know, on average?

2 A. On average, yes.

3 Q. I want to run a couple of hypotheticals by.
4 I want you to assume that I'm a lawyer that lives in
5 Kansas City and in MGE's service territory and that I make
6 \$350,000 a year and live in a nice new 4,000 square foot
7 home, and that -- just like Stu's, just like Stu's, and
8 in -- generally, I use electric for space and water
9 heating, but I've got an ornamental natural gas fireplace
10 that I like to use in the winter.

11 And I want to ask you, is it possible that
12 I might use quite a bit less gas than a customer that
13 makes a lot less money than I do but uses natural gas for
14 space and water heating?

15 A. Yes.

16 Q. Okay. Let's do another hypothetical. Then
17 I'll be done with hypotheticals. I want to talk about a
18 low income MGE customer with a wife and two children
19 living in a 60-year-old house with 2,500 square feet to a
20 moderate income MGE customer living with a wife and two
21 children in a house with the same size but it's only five
22 years old. They both use natural gas for water and space
23 heating. Are you with me on that?

24 A. Yes.

25 Q. Is it possible that the low income customer

1 could be a higher user of natural gas because the older
2 home is not as well insulated?

3 A. Yes.

4 Q. Is it also possible that it could be using
5 older, less efficient gas appliances?

6 A. Yes.

7 Q. I want to turn now to your surrebuttal
8 testimony. Mr. Berlin may have covered some of the
9 questions I intended to cover with you, so let me see if I
10 can trim it down. Give me a moment.

11 I want to touch on something. It's the
12 same testimony that Mr. Berlin asked you about, page 2 of
13 your surrebuttal, lines 11 through 13. And you stated
14 there, I believe, I do not believe that Dr. Thompson's
15 study is sufficiently disaggregated to compare specific
16 patterns of income and consumption for low and high income
17 households. Do you see that?

18 A. Yes.

19 Q. Now, this is the only basis that you set
20 forth in your testimony for rejecting Dr. Thompson's study
21 results; isn't that correct?

22 A. The only basis that it's not disaggregated
23 to the level. I also talk about that it's inconsistent
24 with findings of a number of --

25 Q. Okay.

1 A. -- agencies --

2 Q. Okay.

3 A. -- that provide information on low income

4 customers and --

5 Q. That's two. I'm just keeping track. Go

6 ahead.

7 A. Well, I think there -- that it's, you know,

8 if you want to count that as two, No. 1, I --

9 Q. I'm okay with treating them as two. I just

10 want to understand that as we go forward with this dialog,

11 that I've identified the grounds that you've recommended

12 to the Commission for rejecting Dr. Thompson's study.

13 A. All right.

14 Q. The first one is insufficient

15 disaggregation?

16 A. That it applies to zip codes as opposed to

17 households.

18 Q. Right. And the other thing is it's

19 inconsistent with other studies that you've --

20 A. With other findings and the study that I

21 did myself.

22 Q. Okay. Fair enough. Let's visit about

23 those.

24 A. Do you want me to check to make sure that I

25 didn't have any others?

1 Q. I'm sure we'll be talking about this for a
2 little while yet.

3 A. All right. So if I come up with another
4 one --

5 Q. We'll deal with that as it comes up.

6 A. All right.

7 MR. POSTON: I'm sorry if I interrupted.
8 If she thinks she might have a more full response if she
9 has time to look through her testimony, I just ask that
10 she be given a minute or two to look.

11 JUDGE PRIDGIN: I don't mind as long as
12 Mr. Boudreau doesn't mind. He's the one asking questions.

13 THE WITNESS: I did find one more already.

14 BY MR. BOUDREAU:

15 Q. And that would be?

16 Q. And the other one that I talk about is that
17 I think it was inappropriate for Mr. Thompson to simply
18 look at LIHEAP customers as was indicated in his
19 testimony. He talks about that he was given information
20 about LIHEAP customers from the company and that that
21 was -- I have a concern that that was all he looked at as
22 opposed to a broader population of low income customers.

23 Q. I understand that, but Dr. Thompson's
24 LIHEAP testimony wasn't really part of his study, was it?

25 A. Well, I think that he uses that in support

1 of his conclusions in his study.

2 Q. Well, I'm just talking about reasons why,
3 reasons why you're recommending to the Commission that it
4 reject Dr. Thompson's study.

5 A. At a high level, I think that the first two
6 were fair.

7 Q. Okay. So I think it's your contention --
8 let's talk about the first -- the first item, which is
9 insufficient disaggregation of information.

10 A. Okay.

11 Q. Okay. Now, as I understand your testimony,
12 you contend that the averages across zip codes can mask
13 variation within a zip code; is that correct?

14 A. Yes.

15 Q. And by -- and by variations, variations in
16 use characteristics by customers?

17 A. Yes.

18 Q. Now, you point to a number of other
19 sources. Some of this may have already been touched on by
20 Mr. Berlin, but I feel compelled to go through this
21 because it's -- it goes to your second point, the studies
22 that you've -- that you point to as being inconsistent.

23 The U.S. Department of Energy Residential
24 Energy Consumption Survey, or RECS, R-E-C-S, you've
25 attached three, I think I'll try to characterize this,

1 three variations of that study covering time periods from
2 between 1999 to 2005; is that correct? Three different
3 studies covering three different time periods, is that
4 what --

5 A. The '99 study actually was based on, I
6 think, '97 data.

7 Q. Okay.

8 A. So, yes, over that time period, there were
9 a number of --

10 Q. Three different iterations of basically the
11 same analysis covering different time periods?

12 A. Well, different -- there were two different
13 sets of data, similar data.

14 Q. Okay.

15 A. Gathered in the same way.

16 Q. I understand. And those reports talk about
17 total energy consumption, both gas and electric; isn't
18 that correct?

19 A. The information can be disaggregated to a
20 level that talks about just natural gas as opposed to
21 electric, other types of fuel sources, the data that I
22 used which --

23 Q. I'm just asking if it talks about total
24 energy consumption by -- in U.S. households?

25 A. Where --

1 Q. I'm looking at your Schedule 3, page 2
2 of 6, up at the top, Total Energy Consumption in U.S.
3 Households.

4 A. Schedule 3, page 2 of 6. Okay. This table
5 is broken down by fuel type, but it isn't broken down
6 regionally, if that's where you're going with this.

7 Q. We can get to that, yeah. This is a survey
8 of households nationwide; isn't that correct?

9 A. This one -- this particular table is a
10 result or is with respect to U.S. households, yes.

11 Q. Okay. And it doesn't refer to any Missouri
12 specific information, does it?

13 A. No.

14 Q. And there's no distinction made between
15 rural and metro use -- or households, I guess I should
16 say?

17 A. No.

18 Q. It certainly doesn't look at usage by
19 care -- usage characteristics by individual customer, does
20 it?

21 A. It disaggregates at levels of income,
22 identifies for below the poverty line and for those
23 eligible for federal assistance.

24 Q. Yeah, but those are averages, right? We
25 don't have individual customer usage patterns here?

1 A. Those are average. It's the average for
2 customers with a certain income characteristic.

3 Q. That's what -- yeah. That's fine. You
4 also point to the LIHEAP Home Energy Notebook?

5 A. Yes.

6 Q. Actually, it's Schedule 1 and 2; is that
7 correct?

8 A. That sounds right.

9 Q. And the source data for the LIHEAP Home
10 Energy Notebook is the 2005 RECS study; isn't that
11 correct?

12 A. It's the --

13 Q. I'll point you to the Schedule 1, page 2
14 of 7.

15 A. Yes. I was just trying to clarify, the
16 2007 Notebook results are based on the 2005 RECS data as
17 adjusted by the agency for weather, I think, and maybe
18 price considerations.

19 Q. But the starting point is the 2005 RECS
20 data?

21 A. Yes.

22 Q. Mr. Berlin also -- has already covered with
23 you the midwest region and the states that are included in
24 the midwest region. I won't repeat that. But I believe
25 your testimony was that Missouri was probably the most

1 southeastern of the states in that grouping?

2 A. Yes.

3 Q. I think that was your testimony. How do
4 heating degree days in North Dakota compare with heating
5 degree days in Missouri?

6 A. I would think there would be more heating
7 degree days in North Dakota than there would be in
8 Missouri.

9 Q. And that's pretty -- I won't walk you state
10 by state, but that's pretty logical?

11 A. Generally the further north you go,
12 generally, I mean there are wind patterns that may affect
13 that, but I'd say yes, generally.

14 Q. Fair enough. And again, just looking at
15 the LIHEAP Notebook, we really don't -- we really can't
16 tell whether any Missouri data is included in this. I
17 know it's included in the region, but we don't know by
18 looking at this document that any Missouri data is
19 included, do we?

20 A. It's based on a random sampling and
21 assigned weights. Households that are in the surveys are
22 assigned weights, so --

23 Q. Okay. Maybe, maybe not?

24 A. I'd have to say probably not.

25 Q. We can't tell by looking at this document?

1 A. Right.

2 Q. But we do know that it does not look at
3 usage characteristics of individual customers?

4 A. No, I wouldn't say that I agree with that.
5 The data that's gathered has consumption information in
6 terms of the gas volumes, specific income levels, and then
7 it treats each of those households that ends up in the
8 sample survey, it assigns them a weight in terms of how
9 many households they represent, and so there is actually
10 specific information about individual households. It's
11 just those are deemed as representative of a larger
12 population and assigned weights for developing the --

13 Q. It's a sample and some projections are made
14 based upon that sample?

15 A. Yes.

16 Q. Would you agree with me that if you rely on
17 or if you look at studies, like the RECS study or the
18 Department of Labor Bureau of Labor Statistics Report that
19 looks at national data, that this data, this aggregation
20 of data can mask usage variations within the country at
21 one level? If you're looking at national data, it masks
22 usage characteristics by definition because it's looking
23 at national data?

24 A. It can.

25 Q. You don't think that's happened in any of

1 these studies?

2 A. I didn't say that I didn't think it hadn't
3 happened in these studies. I'm saying it could.

4 Q. And even if you're talking about regional
5 data, you're masking variations within aggregations of
6 regional data?

7 A. I don't disagree with that.

8 Q. And for your own analysis that you refer to
9 on pages 5 and 6 in your surrebuttal testimony, you used
10 as a starting point as well the 2005 Department of Energy
11 RECS survey; is that correct?

12 A. A public use sample that's available.

13 Q. Well, I'm looking at your testimony, just
14 so that we're -- to make sure we're literally on the right
15 page. Page 5, your answer that starts on line 20, you
16 say, yes, using a weighted sample of individual household
17 income and consumption data from the Department of
18 Energy's 2005 residential energy consumption survey for
19 the midwest region. I could go on, but that's what I'm
20 pointing to.

21 A. Yes, and I was just trying to describe that
22 it's like a micro sample of data.

23 Q. But it's their data that was used as a
24 starting point for your analysis?

25 A. Yes.

1 Q. Dr. Thompson's study actually looked at MGE
2 customer data, did it not?

3 A. Customer data?

4 Q. Customer usage data for MGE's service
5 territory?

6 A. For zip codes as opposed to income levels.

7 Q. I understand that, but it was an MGE
8 specific study? Didn't look at North Dakota, didn't look
9 at South Dakota, didn't look at Nebraska, it looked at
10 MGE's service territory?

11 A. I agree it was based on zip codes that are
12 served in MGE's territory.

13 Q. And he used U.S. Census data at the zip
14 code level --

15 A. Yes.

16 Q. -- is that correct?

17 Now, let's turn to your critique of his use
18 of the LIHEAP testimony that we've touched on a little bit
19 earlier.

20 A. Okay.

21 Q. As I understand it, LIHEAP testimony is
22 energy bill assistance for people of up to about 150
23 percent of the poverty level; is that correct?

24 A. There are two criteria. It can be 150
25 percent of the poverty level or it can be 60 percent of

1 state median income.

2 Q. Would you agree with me that this --

3 A. For the federal criteria. Sorry.

4 Q. Thank you. I appreciate the clarification.

5 Would you agree with me that that is assistance that's

6 available to low income customers?

7 A. Yes.

8 Q. Dr. --

9 A. It's available to a subset of those low

10 income customers as I define them.

11 Q. I understand. I'm going to move on to --

12 bear with me as I find the reference here. I'm going to

13 direct you to page 5 --

14 A. Okay. I'm there.

15 Q. -- of your surrebuttal testimony.

16 A. I'm there.

17 Q. Are you there?

18 A. Uh-huh.

19 Q. Okay. As part of your answer to a question

20 that starts on line 6, down near the end of that paragraph

21 you have you have an answer. You have, however,

22 Dr. Thompson's testimony implies that only 12,495 of MGE's

23 customers are LIHEAP recipients, which represents only

24 about 14 percent of households that can be considered low

25 income. Do you see that?

1 A. Yes.

2 Q. And my question to you is that he doesn't
3 actually say that, does he?

4 A. No. No.

5 Q. 12,495 households or at least information
6 concerning that. That's the data he was working with?

7 A. Yes.

8 Q. Okay. That's a pretty solid statistical
9 sample, isn't it?

10 A. Well, it -- I don't think it's a
11 statistical sample of all low income. I mean, the company
12 knows about LIHEAP recipients because the company gets the
13 grant that's assigned for those customers.

14 Q. But a statistical sample is never the
15 entire universe of --

16 A. I don't think it's a random sample of low
17 income customers.

18 Q. You don't consider it to be a reasonable
19 sample upon which to make any conclusions?

20 A. Not about all low income customers, because
21 I think it is -- it is not -- it's not random.

22 Q. Would you agree with me that looking at
23 this data, however, you are, in fact, or he is, in fact,
24 looking at customer specific information?

25 A. I don't -- I don't disagree with that. I

1 found something very similar in looking at the RECS data
2 as he concluded in his information.

3 Q. So you think you were looking at customer
4 specific information in MGE's service territory?

5 A. No. I'm saying that the results from the
6 RECS data that I looked at had similar results in terms of
7 LIHEAP customer use as what he found based on the
8 information that he looked at that was provided to him by
9 the company.

10 Q. Yes, but the LIHEAP customer or the LIHEAP
11 data, the LIHEAP customer data that he's looking at was
12 specific customer data?

13 A. Yes, I don't disagree with that.

14 Q. Okay. We talked a little bit about the zip
15 code information that Dr. Thompson used.

16 A. Yes.

17 Q. Do you know where the zip code information
18 comes from?

19 A. Where the zip code information comes from?

20 Q. Yeah.

21 A. What do you mean by --

22 Q. Do you know whether or not that information
23 is information about individual -- or comes from
24 individual households?

25 A. In reviewing his study in the past, it was

1 the same study as used in the last case. It described the
2 income level within a zip code, so it wasn't separating
3 low income from high income within the zip code.

4 Q. But in order to come up with that number,
5 it's not an aggregate number, it's income determined by
6 zip code, so there has to be some customer specific
7 information in that?

8 A. Some -- okay. I wouldn't disagree with
9 that.

10 MR. BOUDREAU: No further questions for
11 this witness, thank you.

12 JUDGE PRIDGIN: Mr. Boudreau, thank you.
13 Let me see if I have any Bench questions. Mr. Chairman,
14 any questions?

15 CHAIRMAN CLAYTON: You've gone all the way
16 through?

17 QUESTIONS BY CHAIRMAN CLAYTON:

18 Q. Ms. Meisenheimer, I may start and finish up
19 tomorrow since we had a late agenda. I apologize for
20 coming in to this late.

21 A. Okay.

22 Q. We're on rate design, and I want to be
23 clear on which part of this issue you are participating
24 versus Mr. Kind, I think, also is participating on this
25 issue. Are you advocating for the straight fixed variable

1 rate design?

2 A. No.

3 Q. Okay. What rate design are you advocating
4 for?

5 A. My testimony describes for the Commission
6 our proposal to return to a traditional rate design which
7 includes a fixed component, a fixed customer charge, and a
8 volumetric based component.

9 Q. Why is that?

10 A. There are a number of reasons. It is
11 something that I -- I truly believe the customers view as
12 a fairness issue. I think it allows for proper recovery
13 of cost. In other words, you collect the majority of the
14 cost in the winter when users are using the most. Those
15 are also -- tend to be the periods of time when demand is
16 highest and those costs are driven.

17 So I think in terms of recovering based on
18 cost causation, recovery based on something the customers
19 view as fair, viewing something that's based on customers
20 being able to understand the rates they're paying, I think
21 for those reasons and perhaps others that aren't coming to
22 mind at the moment, that that's why we are supporting
23 returning to a traditional rate design.

24 Q. Okay. Have you seen any specific problems
25 that have come up since this design, this rate design was

1 implemented several years ago? I mean, other than just
2 basic customer complaints, have you had any other examples
3 that would suggest or highlight its unfairness as you
4 suggest?

5 A. Any examples as in that customers have an
6 incentive to get off the system in the summer months if
7 they're not high users, and that that is a -- that is
8 unfortunate because it affects customers that are on the
9 system year round. To the extent that those customers
10 that might otherwise drop off can be kept on the system,
11 they're hoping to recover some of the fixed costs of the
12 system.

13 Q. Let's talk about the seasonal customers.
14 Should the Commission be encouraging customers to stay on
15 throughout the year or should the Commission encourage
16 seasonal disconnects where people disconnect at one time
17 of the year or the other?

18 A. I think that the Commission should be
19 encouraging customers to stay on to the greatest extent
20 possible. It's, No. 1, a utility service. It's a service
21 that people need. There are many people that don't have
22 an option of foregoing gas service because they rent, for
23 example, they don't have the option to switch over to some
24 other source of energy, say for water heating if that's
25 all they do with it. So there's an issue of that it is a

1 public utility. People need it. It's appropriate to make
2 it affordable to the greatest extent possible. It
3 benefits other customers on the system to continue to
4 have -- even low use customers that used to stay on versus
5 to get off the system.

6 Q. Do you think the straight fixed variable
7 encourages seasonal disconnects or discourages seasonal
8 disconnects?

9 A. I think it would all -- I mean, all else
10 equal, I think it would discourage customers from staying
11 on the system in the summer if they, you know, can
12 possibly do without.

13 Q. Do you think the straight fixed variable
14 rate design acts as a partial budget billing type of plan
15 where it smoothes out potential increases in cost from
16 colder months to summer months and makes the bill more
17 consistent? Would you agree with that analogy or that
18 comparison?

19 A. From only the limited perspective of the
20 non-gas charges, it may do that. But generally, you know,
21 customers do pay both gas costs, commodity costs and the
22 non-gas portions of the bill, and so it -- while there may
23 be some effect, I don't think it is -- I don't think it's
24 an adequate substitute for a budget billing alternative
25 for customers.

1 Q. I didn't ask if it was a substitute, but
2 doesn't it do the same -- doesn't it function in the same
3 way at least for a portion of the -- of the gas bill where
4 you are -- you are lowering a bill during the colder
5 months in favor of increasing it during the warmer months
6 because the bill's still going to be higher in that winter
7 time. Isn't that positive?

8 A. I would say that my answer to that is no,
9 and the reason is because a customer could reduce usage
10 and ultimately lower their budget bill over time; whereas,
11 with the straight fixed variable, they're charged exactly
12 the same uniform amount whether or not they reduce or
13 forego usage as long as they stay on the system.

14 Q. Okay.

15 A. So in that sense, they are not the same.

16 Q. Do you think the Commission should be
17 encouraging energy efficiency?

18 A. I do.

19 Q. Do you think the Commission should
20 encourage customers to reduce their natural gas bills and
21 reduce their natural gas consumption wherever possible?

22 A. Where possible, within reason, depending on
23 what it costs other ratepayers to pay for those programs,
24 and I -- I think that there are a lot of ways to do that
25 other than going to a 100 percent customer charge.

1 Q. If we were to revert back to a volumetric
2 charge for the fixed cost, for the pipes cost?

3 A. For a portion of it.

4 Q. For a portion of it. If we were to revert
5 to that, the utility would have an incentive for selling
6 more gas, wouldn't they?

7 A. Yes.

8 Q. Okay. And doesn't that fly in the face
9 with the Commission trying to encourage less usage of
10 customers?

11 A. Well, the customer loses the incentive in
12 that non-gas portion of the bill under straight fixed
13 variable to conserve. So, I mean, I think that -- that
14 there are tradeoffs that you certainly have to consider.

15 Q. Is there a way that -- is there a way that
16 we could help consumers conserve or provide incentives for
17 further reductions in usage where appropriate using the
18 straight fixed variable design? Is there a way to have
19 both, in your opinion?

20 A. I'm not sure that I understand the
21 question.

22 Q. Okay. Maybe I'm not -- it's been a long
23 day. Is there a way to provide incentives to customers to
24 reduce their usage while at the same time having a
25 straight fixed variable rate design? Can you have both,

1 the way the rate design is today and also give the
2 incentive to customers to reduce their usage in a fair
3 manner?

4 A. I don't think in a fair manner, no.

5 Q. No.

6 A. I mean, I think that there are places you
7 could look to for middle ground if you're -- if you're
8 interested in talking about those, but --

9 Q. What would Public Counsel suggest as an
10 alternative in -- in aligning the interests of both sides
11 in conserving or selling less gas? And I say both sides,
12 I mean the customer and the company. If you have a
13 volumetric rate, the company has an incentive to sell more
14 gas. How do you align the interests without -- to
15 encourage reduced usage if not by the straight fixed
16 variable rate design?

17 A. Well, Ryan Kind is going to testify for you
18 on energy efficiency and our -- and a proposal to replace
19 revenues to remove a disincentive for the company. I -- I
20 think I would refer at least that portion of the question
21 to him.

22 Q. Who's doing energy efficiency?

23 A. Ryan.

24 Q. Ryan's doing all of it?

25 A. Yes.

1 Q. Do you consider the straight fixed variable
2 rate design decoupling?

3 A. Yes.

4 Q. Are you aware of any other types of rate
5 design that would also be considered decoupling that would
6 fall under that definition?

7 A. Yes.

8 Q. Could you describe a few other, other than
9 the straight fixed variable?

10 A. I have limited knowledge of this compared
11 to Ryan. I would definitely encourage you to talk to Ryan
12 about this. I can briefly touch on a couple that I
13 understand are out there. One of them is a revenue true-
14 up mechanism where you true up revenues to normal weather
15 so that -- I think it -- it replaces lost revenue
16 associated with conservation but not weather variations.

17 Q. Do you like that idea?

18 A. I like what Ryan is proposing in this case.

19 Q. What is he proposing, do you know?

20 A. Ryan is proposing that the company account
21 for this -- the lost revenue associated with conservation
22 efforts, and --

23 MR. BOUDREAU: I think I'm going to object
24 on this. I mean, Mr. Kind's testimony isn't in the case
25 yet, and I may have something -- some concerns about the

1 propriety of that testimony in the case. So I'm a little
2 concerned that we're going down the road talking about
3 testimony that isn't in the case yet. Seems to bypass my
4 ability to lodge possible objections to that testimony.

5 JUDGE PRIDGIN: I understand. I'll
6 overrule, and I'll let Ms. Meisenheimer continue.

7 BY CHAIRMAN CLAYTON:

8 Q. Let me ask the question. I don't want to
9 be offensive to any of the parties in the room. In your
10 knowledge of varying rate designs, are there any other
11 alternatives that would remove a disincentive for the
12 utility and allow for more incentives for energy
13 efficiency or reduce usage by customers?

14 A. That would totally eliminate it?

15 Q. Or even partially eliminate it?

16 A. Partially?

17 Q. I'm assuming that you have done analysis
18 and comparisons of different rate designs in coming up
19 with your opinion on the straight fixed variable?

20 A. I view in some respect this case as being
21 within a range. Public Counsel proposed 55 percent
22 recovery in any customer charge and the remaining
23 recovered in volumetric. The company is at 100 percent
24 customer charge and nothing in volumetric.

25 I mean, I think that somewhere in there you

1 can find some middle ground that you could argue is
2 reasonably supported by the cost studies in the record
3 and -- and go somewhere in the middle if you felt that you
4 wanted to eliminate a portion of their disincentive due
5 to -- or if you want to give them more security in terms
6 of weather for their revenues, that's an issue that the --
7 that they've raised.

8 The proposal that we have for conservation
9 recovery, recovery associated with conservation, I think
10 you could find middle ground somewhere.

11 Q. How do you measure lost revenues due to
12 reductions in usage?

13 A. Well, there would be a volumetric rate
14 component for each volume that is claimed saved. There
15 would be a volumetric component. You can also argue that
16 there would be the cost of the commodity itself.

17 Q. But in reduced -- you're looking at reduced
18 usage on a system-wide basis, not on a customer basis,
19 right?

20 I mean, when you're talking about a reduced
21 usage -- maybe I'm not understanding -- reduced usage
22 where you try to make up lost revenue, how do you measure
23 that lost revenue and directly connect it with
24 efficiencies?

25 A. Well, in one of the company witnesses'

1 testimony, they identified what they believe is the
2 savings in terms of CCF attributable to a program over a
3 period of time.

4 Q. But is that possible -- does Public Counsel
5 think that's possible to actually make those measurements?

6 A. I think --

7 Q. Is it measurable, I guess is what I'm
8 asking?

9 A. I think that you could identify ways to
10 reasonably measure it, and I would encourage you to talk
11 to Ryan Kind about that when he's here as well. I think
12 he's probably more familiar with -- with that issue than I
13 am.

14 Q. Okay. Are you aware of any other states
15 that have implemented a straight fixed variable rate
16 design, or states that have allowed their utilities to
17 implement straight fixed variable design?

18 A. I heard Mr. Feingold testify to it.

19 Q. Are you aware? I mean, have you done any
20 research among other states to see what works, what
21 doesn't work?

22 A. I did more in the last case than I did in
23 this case in terms of looking at where those particular
24 rate designs, that rate design may have been employed.

25 Q. Was the straight fixed variable rate design

1 proposed in the original testimony of either the Staff or
2 the company in the last case as it is in this one, or did
3 it appear part of the way through? I don't remember.

4 A. I think that the company proposed a
5 straight fixed variable rate design or a weather
6 normalization adjustment in their testimony, and the
7 Staff, I think they were calling it maybe a delivery
8 charge, but in our --

9 Q. So it was proposed and made part of the
10 record?

11 A. I believe so.

12 Q. And that was different from the other.

13 CHAIRMAN CLAYTON: Okay. I don't think I
14 have any other questions. Thank you.

15 JUDGE PRIDGIN: Mr. Chairman, thank you.
16 Commissioner Gunn?

17 COMMISSIONER GUNN: No questions.

18 JUDGE PRIDGIN: Because we are approaching
19 five and because we'll be continuing on to rate design
20 tomorrow, it's my preference to go ahead and go off the
21 record. I understand that Ms. Meisenheimer would be
22 subject to recross and redirect, and unless there's
23 anything else from counsel, what I'd like to do is go off
24 the record here in a moment and then discuss possible
25 scheduling changes because of the way we've gone through

1 rate design today and how we may have to go through it
2 some tomorrow. So if there's no objection from counsel to
3 doing that?

4 MS. SHEMWELL: None.

5 MR. BERLIN: No.

6 JUDGE PRIDGIN: Is there anything else from
7 counsel before we go off the record?

8 (No response.)

9 JUDGE PRIDGIN: All right. Thank you. And
10 we'll plan on being in recess until 8:30 in the morning
11 and continuing with rate design. Thank you. We are off
12 the record.

13 WHEREUPON, the hearing of this case was
14 recessed until October 29, 2009.

15

16

17

18

19

20

21

22

23

24

25

1	I N D E X	
2	CLASS COST OF SERVICE	
3	MGE'S EVIDENCE:	
4	F. JAY CUMMINGS	
	Direct Examination by Mr. Boudreau	374
5	Cross-Examination by Ms. Shemwell	378
6		
7	RATE DESIGN	
8	MGE'S EVIDENCE:	
9	RUSSELL A. FEINGOLD	
	Direct Examination by Mr. Boudreau	385
10	Cross-Examination by Mr. Poston	387
	Redirect Examination by Mr. Boudreau	400
11		
12	MGUA'S EVIDENCE:	
13	DONALD JOHNSTONE	
	Direct Examination by Mr. Conrad	402
14	Cross-Examination by Mr. Poston	403
	Cross-Examination by Mr. Berlin	405
15		
16	STAFF'S EVIDENCE:	
17	ANNE ROSS	
	Direct Examination by Mr. Berlin	407
18	DANIEL I. BECK	
19	Direct Examination by Mr. Berlin	413
	Cross-Examination by Mr. Poston	418
20		
21	OPC'S EVIDENCE:	
22	BARBARA A. MEISENHEIMER	
	Direct Examination by Mr. Poston	423
23	Cross-Examination by Mr. Berlin	427
	Cross-Examination by Mr. Boudreau	454
24	Questions by Chairman Clayton	480
25		

1	E X H I B I T S I N D E X		
2		MARKED	RECEIVED
3	EXHIBIT NO. 3		
4	Direct Testimony of F. Jay Cummings	23	377
5	EXHIBIT NO. 4		
6	Rebuttal Testimony of F. Jay Cummings	23	377
7	EXHIBIT NO. 5		
8	Surrebuttal Testimony of F. Jay Cummings	23	377
9	EXHIBIT NO. 7		
10	Direct Testimony of Russell A. Feingold	23	386
11	EXHIBIT NO. 8		
12	Rebuttal Testimony of Russell A. Feingold	23	386
13	EXHIBIT NO. 9NP/HC		
14	Surrebuttal Testimony of Russell A. Feingold	23	386
15	EXHIBIT NO. 47		
16	Rebuttal Testimony of Daniel I. Beck	23	417
17	EXHIBIT NO. 48		
18	Surrebuttal Testimony of Daniel I. Beck	23	417
19	EXHIBIT NO. 63		
20	Rebuttal Testimony of Anne E. Ross	23	412
21	EXHIBIT NO. 64		
22	Surrebuttal Testimony of Anne E. Ross	23	412
23	EXHIBIT NO. 72		
24	Direct Testimony of Barbara A. Meisenheimer	56	427
25	EXHIBIT NO. 73		
	Rebuttal Testimony of Barbara A. Meisenheimer	56	427
	EXHIBIT NO. 74		
	Surrebuttal Testimony of Barbara A. Meisenheimer	56	427

1	EXHIBIT NO. 90		
2	Surrebuttal Testimony of Donald		
	Johnstone	56	403
3	EXHIBIT NO. 91NP/HC		
4	Rebuttal Testimony of Donald Johnstone	56	403
	EXHIBIT NO. 92		
5	Surrebuttal Testimony of Donald		
6	Johnstone	56	403
	EXHIBIT NO. 100		
7	OPC Data Request No. 10	419	422
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1 C E R T I F I C A T E

2 STATE OF MISSOURI)
) ss.
3 COUNTY OF COLE)

4 I, Kellene K. Feddersen, Certified
5 Shorthand Reporter with the firm of Midwest Litigation
6 Services, do hereby certify that I was personally present
7 at the proceedings had in the above-entitled cause at the
8 time and place set forth in the caption sheet thereof;
9 that I then and there took down in Stenotype the
10 proceedings had; and that the foregoing is a full, true
11 and correct transcript of such Stenotype notes so made at
12 such time and place.

13 Given at my office in the City of
14 Jefferson, County of Cole, State of Missouri.

15

16 Kellene K. Feddersen, RPR, CSR, CCR

17

18

19

20

21

22

23

24

25