

1 STATE OF MISSOURI  
2 PUBLIC SERVICE COMMISSION  
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6 TRANSCRIPT OF PROCEEDINGS  
7 Hearing  
8 January 12, 2007  
9 Jefferson City, Missouri  
Volume 9

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12 In the Matter of Missouri Gas )  
Energy's Tariffs Increasing Rates )  
13 for Gas Service Provided to ) Case No. GR-2006-0422  
Customers in the Company's )  
14 Missouri Service Area )

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KENNARD L. JONES, Presiding,  
17 REGULATORY LAW JUDGE.

18

19 JEFF DAVIS, Chairman,  
CONNIE MURRAY,  
20 LINWARD "LIN" APPLING,  
COMMISSIONERS.  
21

22

23 REPORTED BY:

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

2 JUDGE JONES: We're back on the record with  
3 Case No. GR-2006-0422, and as I told you-all yesterday and  
4 I'll remind you today, there's going to be a local public  
5 hearing held in this room at noon today. I'd like to try  
6 to get done with this by 11. If we don't, 11:30 is  
7 pushing it. If it's obvious -- let's say if it's obvious  
8 at 11 we're not going to get through it all, let's pack up  
9 and move to 305 so that we can finish today.

10 Okay. With that, we'll start with opening  
11 statement from Mr. Mitten on emergency cold weather rule  
12 AAO recovery.

13 MR. MITTEN: If it please the Commission?  
14 In its December 2005 Order in GX-2006-0181, the Commission  
15 approved an emergency amendment to its cold weather rule  
16 that contains special provisions that applied only to  
17 utilities that provide natural gas service to residential  
18 customers. Specifically, the emergency rule required gas  
19 companies to offer additional repayment plans to customers  
20 who use natural gas for home heating but were unable to  
21 pay up to 80 percent of their existing bills under the  
22 previous rule.

23 For MGE, these more liberal payment rules  
24 raised the specter of increased levels of bad debt, and in  
25 recognition of this fact, in September 2006 the Commission

1 issued an Order granting the company's request for an AAO  
2 that authorized maintaining a regulatory asset on the  
3 company's books for costs related to complying with the  
4 emergency amendment to the cold weather rule. As of  
5 June 30th, 2006, MGE had accumulated a balance of  
6 approximately \$901,000, which represents the difference  
7 between what it would have collected and what it actually  
8 collected from customers whose service was reconnected  
9 under the emergency amendment but who were later  
10 disconnected for nonpayment.

11 Staff has audited and verified that  
12 balance, and in proposing -- and is proposing that this  
13 amount be amortized and recovered from the company's  
14 customers over three years. MGE concurs with this  
15 recommendation and, although Public Counsel did not file  
16 testimony on this issue, if I understood Mr. Poston's  
17 opening statement, Public Counsel does oppose this  
18 adjustment, although I do not know the nature of that  
19 opposition.

20 With that, I would call Mr. Noack to the  
21 stand.

22 JUDGE JONES: Mr. Noack, you remain under  
23 oath, and we'll have cross-examination from the Staff.

24 MR. FRANSON: No questions, your Honor.

25 JUDGE JONES: From the Office of the Public

1 Counsel?

2 MR. POSTON: Yes, thank you.

3 MICHAEL NOACK testified as follows:

4 CROSS-EXAMINATION BY MR. POSTON:

5 Q. Good morning.

6 A. Good morning.

7 Q. Like your counsel just said, you're  
8 requesting a little over 900,000 through an AAO as a  
9 result of complying with the cold -- emergency cold  
10 weather rule, correct?

11 A. Yes.

12 Q. And your calculation for this is shown on  
13 your Schedule H-26, I believe; is that correct?

14 A. Of my direct. Or there's a true-up also.

15 Q. Let's look at the true-up. Get the most  
16 recent one. Can you explain on this -- your true-up  
17 Schedule H-26, the top part of this, this is what you had  
18 in your direct testimony, correct?

19 A. That's correct.

20 Q. And what is the bottom portion, what is the  
21 difference between the two of these?

22 A. The bottom portion represents those  
23 customers that were connected under the terms of the  
24 emergency cold weather rule that were disconnected as a  
25 result of nonpayment from the period of June 30, 2006

1     until October 31st, the time of the true-up period.

2             Q.     Okay.  So these are in addition to the  
3     2,976 --

4             A.     Yes.

5             Q.     -- customers?

6                     Okay.  So that total -- the total number,  
7     the 2,976 plus the 1,097, that's the number of customers  
8     that you believe you should be allowed to recover the cost  
9     or what they would have paid at 80 percent versus what  
10    they paid at 50 percent or \$500; is that correct?

11            A.     That's correct.

12            Q.     And the emergency cold weather rule reduced  
13    the reconnection or preventing disconnection amount from  
14    80 percent to 50 percent or \$500, right?

15            A.     Yes.

16            Q.     And those rules were meant to address a  
17    concern that under the 80 percent of existing arrears  
18    requirement, staying on or reconnecting would not be  
19    affordable to customers; is that correct?

20            A.     I suppose that's the answer, yes.  Yes.

21            Q.     Now, let's add that 2,967 plus the 1,097.  
22    What is that?

23            A.     Looks to be about 4,143 -- or I'm sorry --  
24    73.

25            Q.     Okay.  Say roughly 4,000.  Have any of

1 these 4,000 customers reconnected?

2 A. In this winter, in the 2007 winter, I don't  
3 know.

4 Q. I mean, since being disconnected -- I mean,  
5 all of these customers are customers that have  
6 disconnected, right?

7 A. Correct. Yes.

8 Q. So the customers that got on under the  
9 emergency cold weather rule and stayed on, you haven't  
10 included those customers in these counts; is that right?

11 A. No.

12 Q. Okay. So of those 4,000, how many have  
13 reconnected since the emergency cold weather rule was in  
14 effect?

15 A. I don't know.

16 Q. And you've also included customers that  
17 were just scheduled to be disconnected, isn't that  
18 correct, in these numbers?

19 A. Yes, those that were -- had a final bill  
20 with a broken pay agreement, those customers were on our  
21 list to be disconnected. They just hadn't physically had  
22 someone go out and actually disconnect them yet.

23 Q. Does that guarantee that they were  
24 disconnected?

25 A. No, I'm sure it -- no.

1           Q.       And the 2,076,437, that is an amount that  
2       these customers owed before they took advantage of the  
3       cold weather rule; is that correct?

4           A.       That's correct. That's the balance that  
5       they had at the time they were reconnected.

6           Q.       And the 647,302, that also represents what  
7       these customers owed?

8           A.       At the time of reconnection, that's  
9       correct.

10          Q.       At the time of reconnection?

11          A.       Yes.

12          Q.       Would you agree that some of these  
13       customers made payments on their past due amounts after  
14       being reconnected?

15          A.       I would imagine that some of them might  
16       have, yes.

17          Q.       And is your cost figure offset by the  
18       payments that were made?

19          A.       No, but my cost figures don't include the  
20       revenue that -- from the gas they would have used either.

21          Q.       So do you know the total dollar amounts of  
22       any additional arrears these customers acquired while  
23       reconnected?

24          A.       I know that at the time they were  
25       reconnected, I know what their balance was, and I know



1     what their -- what their balance was at the time that they  
2     were disconnected or at the time of the final bill as of  
3     the end of June -- or the end of October, yes.

4             Q.       And where does that data appear in your  
5     testimony?

6             A.       I'm sorry. That's a work paper that I  
7     have.

8             Q.       Okay. So that hasn't made it into  
9     testimony?

10            A.       No, it has not.

11            Q.       Do you have that work paper with you?

12            A.       I do.

13            Q.       Okay. And what is that amount, the balance  
14     when they were disconnected?

15            A.       The balance going up for the  
16     2,976 customers, for the 1,038 that were disconnected,  
17     their total outstanding balance was \$929,689, and for the  
18     1,938 customers who were finaled with broken pay  
19     agreements, their outstanding balance was \$1,081,245. For  
20     the true-up period for the 483 customers that were written  
21     off, their current outstanding balance was \$119,916, and  
22     for the 614 accounts that were finaled with broken pay  
23     agreements, their outstanding was 66,237.

24            Q.       So can you tell me how much, if we subtract  
25     out what they owed before they were reconnected from what

1 they owed after they were disconnected again, can you tell  
2 me what that -- how much they accumulated while they were  
3 reconnected under the emergency cold weather rule?

4 A. I don't know what their -- I don't know  
5 what their bills were for the period in between the time.  
6 I think without knowing the exact amount of their gas  
7 usage for that time period, I don't know that I can give  
8 you an accurate number there.

9 Q. Couldn't you just come up with --

10 A. I can subtract any numbers you'd like for  
11 me to subtract.

12 Q. You don't think with the numbers we have  
13 here you can get to that number I'm looking for?

14 A. And the number's what again?

15 Q. The amount of, I guess, additional arrears  
16 that these customers accumulated under the emergency cold  
17 weather rule after they've been reconnected?

18 A. No, I don't think accurately I can because  
19 for each individual customer, I don't know exactly what  
20 each customer paid. I don't know if they paid the \$500 or  
21 the 50 percent. I'm trying to think of a way to get to  
22 the number you're wanting to get to, and I don't know what  
23 that would be.

24 Q. But did you know that 50 percent or 500 to  
25 calculate the initial payment amount at least?

1           A.       I knew the total amount of payments for  
2     those customers that connected under the emergency cold  
3     weather rule, yes.

4           Q.       Okay. So you're not trying to claim as a  
5     cost of the rule the additional arrears of these customers  
6     accumulated while they were back on the system, correct?

7           A.       No, not at all. We're simply trying to  
8     capture the difference between what we could have  
9     collected and what we did collect for those customers we  
10    reconnected and subsequently finaled or actually  
11    disconnected.

12          Q.       Do you have any reason to believe that  
13    every one of the 4,173 customers would have paid  
14    80 percent of their arrears absent the emergency cold  
15    weather rule?

16          A.       No, I do not.

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

18                   JUDGE JONES: Any -- we're on emergency  
19    cold weather rule AAO. Do you have any questions?

20                   COMMISSIONER APPLING: No questions, but a  
21    comment. Maybe you want to get out of here today before  
22    the cold weather really catch you, but no, I don't have  
23    any.

24                   THE WITNESS: I'll try to slip and slide  
25    all the way back home to Kansas City.

1 JUDGE JONES: Any recross?

2 I guess not. Any redirect?

3 MR. MITTEN: No redirect.

4 JUDGE JONES: Okay. Mr. Franson?

5 MR. FRANSON: No questions, Judge.

6 JUDGE JONES: You can step down.

7 Did you want to do an opening statement?

8 MR. FRANSON: Very briefly, your Honor,

9 Staff will do an opening statement and call Paul Harrison,  
10 whose testimony has been previously entered into evidence.

11 Judge, in reference to this issue,  
12 Mr. Harrison's testimony is located in his direct  
13 testimony, beginning at page 15, line 21, ending at  
14 page 17, line 21.

15 On September 21, 2006, the Commission  
16 issued an Order granting Motion for Accounting Authority  
17 Order, and allowed MGE to maintain on its books as a  
18 regulatory asset the things that they'd asked for, and  
19 then the Commission directed the parties to put this issue  
20 in testimony and briefing. Staff and MGE agree on the  
21 appropriate way to handle this matter, and Mr. Harrison is  
22 here to answer any questions.

23 Judge, if I may approach the witness to  
24 give him both the emergency -- give him a couple of things  
25 he will need to testify.

1 JUDGE JONES: You may.

2 MR. FRANSON: Thank you. And with that, I  
3 would tender him for cross-examination.

4 JUDGE JONES: Any cross-examination from  
5 MGE?

6 MR. MITTEN: No questions, your Honor.

7 JUDGE JONES: Mr. Poston?

8 MR. POSTON: I don't think I have any  
9 questions either.

10 JUDGE JONES: Okay. Well, if no one has  
11 any questions, you may step down, Mr. Harrison.

12 MR. FRANSON: Is he excused, your Honor? I  
13 don't believe he's up on any other issues.

14 JUDGE JONES: Yes, he is.

15 THE WITNESS: Thank you.

16 JUDGE JONES: Okay. Let's move on to  
17 seasonal disconnects.

18 MR. POSTON: Your Honor, if I may have just  
19 a moment.

20 MR. FRANSON: Mr. Reed is here.

21 MR. POSTON: Judge, I need to run upstairs  
22 and get my witness.

23 JUDGE JONES: We're now continuing with the  
24 issue of seasonal disconnects. We'll hear opening  
25 statement from Missouri Gas Energy.

1                   MR. BOUDREAU: Again, I'm not sure it's so  
2 much an opening statement as opening comments. This  
3 issue's been brought up in a number of different points in  
4 this proceeding, so I think there's a pretty good baseline  
5 familiarity.

6                   Just to frame up the issue, the company has  
7 proposed some tariff language which would, in the event a  
8 customer orders a disconnection and then a reconnection at  
9 the same premises within a seven-month period, the company  
10 can collect a reconnection charge, which is the sum of the  
11 minimum bills that would have been incurred by that  
12 customer during the period of the disconnection, plus the  
13 standard reconnection fee.

14                  The proposed charge is to allow MGE to  
15 recover its costs associated with voluntary disconnections  
16 and to provide a disincentive to customers who disconnect  
17 during the non-heating months simply to avoid paying the  
18 basic service charge during those months, which ought to  
19 reflect the cost of serving those customers. MGE is not  
20 advocating an increase in reconnection charge for  
21 customers who have been disconnected involuntarily.

22                  My understanding is that in the rebuttal  
23 testimony of Staff witness Ensrud, that Staff has stated  
24 that it believes the company ought to be given an  
25 opportunity to demonstrate the effectiveness of this

1     tariff language. So my understanding is there's no  
2     dispute between the company and Staff on this issue. I  
3     understand from reading the position statement of the  
4     Office of the Public Counsel that that entity is in  
5     the -- of the view that the Commission should reject the  
6     tariff -- the proposed tariff language.

7                     And if I could ask the Commission's  
8     indulgence, I'd like to ask Mr. Noack, who is the  
9     company's witness, just one or two preliminary questions  
10    to frame up the issue in response to some questions from  
11    Commissioner Clayton.

12                    JUDGE JONES: Go right ahead.

13                    MR. BOUDREAU: Just so everybody  
14    understands the context of the questions.

15    MICHAEL NOACK testified as follows:

16    DIRECT EXAMINATION BY MR. BOUDREAU:

17                    Q.     Mr. Noack, do you remember earlier in this  
18    proceeding that Commissioner Clayton had a question of I  
19    think it was Public Counsel witness Meisenheimer about the  
20    revenue consequences or impact of this particular issue?

21                    A.     Yes, I do.

22                    Q.     And based on that exchange, have you had an  
23    opportunity to do a calculation from the company's  
24    perspective about what the revenue impact might be? And  
25    if you have, I would ask you to explain that to the

1 Commission.

2           A.       Yes. We had -- in answer to a Data Request  
3 from Staff, we had identified the number of what we would  
4 call non-- the one -- the shutoffs and turn-ons at the  
5 same address that were not related to nonpay. I took  
6 those or approximately 1,275 of those that covered up to a  
7 seven-month period, and I priced those out at the straight  
8 fixed variable basic service charge that we were  
9 requesting in our initial filing, and that amounts to  
10 approximately \$140,000.

11           Q.       Are you aware that -- whether Public  
12 Counsel and/or Staff have done a similar sort of  
13 calculation?

14           A.       I know that Public Counsel has done a  
15 calculation. I have it in front of me and --

16           Q.       How does that compare to yours?

17           A.       It's very close. It's within 4 to \$5,000.

18                   MR. BOUDREAU: That's all the questions  
19 that I have of this witness. Thank you.

20                   JUDGE JONES: Any cross-examination from  
21 Staff?

22 CROSS-EXAMINATION BY MR. REED:

23           Q.       Mr. Noack, the funds generated by  
24 collecting seasonal disconnect fees, how do you propose to  
25 handle those? Would those be considered part of revenue



1 or put into a special fund?

2 A. Well, as I mentioned to Commissioner Gaw  
3 yesterday, I think we'd be willing to take the first part  
4 of those funds up to the \$140,000 that it appears we would  
5 have realized in 2005 and take that \$140,000 and commit  
6 that to some kind of program, be it weatherization,  
7 conservation. After that level of \$140,000, then we would  
8 record any seasonal disconnects as revenue.

9 Q. Up to 140,000 to be used for something like  
10 conservation?

11 A. That's correct.

12 Q. But beyond that would be --

13 A. Beyond that, we would be getting into  
14 customers that are included in our revenue requirement  
15 that would be voluntarily avoiding paying us, and in order  
16 to earn -- have an opportunity to earn our return, we  
17 would need to record those revenues, those revenues as  
18 income.

19 MR. REED: Thank you.

20 JUDGE JONES: Any cross-examination from  
21 the Office of Public Counsel?

22 MR. POSTON: Yes, thank you.

23 CROSS-EXAMINATION BY MR. POSTON:

24 Q. The \$140,000 amount you just mentioned, if  
25 the Commission chooses not to, I guess, go with the

1 straight fixed variable rate design, what should be done  
2 with that amount?

3 A. Well, first off, if they don't go with it  
4 and the customer charge is not what we're using to  
5 calculate the 140,000, it would be significantly less.  
6 Might only be 70,000 or 50,000. I don't know what it  
7 would be. But since this is a new revenue, we would  
8 commit to put that first part into a program.

9 Q. And if it doesn't go into a program, should  
10 revenue requirement be reduced by whatever amount you  
11 collect under a seasonal disconnect policy the Commission  
12 adopts?

13 A. Up to the point where we're looking only at  
14 the number that disconnected and reconnected last year, I  
15 mean, not all of the revenues should be, but yes, the  
16 1,275 that we computed.

17 MR. POSTON: Can I approach the witness?

18 JUDGE JONES: Yes.

19 BY MR. POSTON:

20 Q. Sorry. Can you identify this document,  
21 please, that I just handed you?

22 A. It's Data Request No. 269 from Michael  
23 Ensrud to Missouri Gas Energy.

24 Q. And did I hand you your response to that  
25 Data Request?

1           A.       My response on it, yes.

2           Q.       Okay.  So this -- this is the response that  
3   you provided to Staff's Data Request that asks the  
4   question, is there an exception to seasonal disconnect,  
5   can it be tariffed; is that correct?

6           A.       Yes.

7           MR. POSTON:  Judge, I move -- or offer this  
8   exhibit -- first I'd offer to have it marked and then move  
9   to have it entered.

10          MR. BOUDREAU:  I guess my only question is,  
11   what's the relevance of it?  I mean, I'll object on the  
12   grounds of relevance, but it may be that it's -- I'm just  
13   trying to figure out what the point of entering this DR  
14   response is.

15          MR. POSTON:  I'm trying to enter a piece of  
16   evidence wherein this witness testifies on what the  
17   exception is to the seasonal disconnect issue, and he  
18   explains his answer.  I could have him read his answer  
19   into the record.

20          MR. BOUDREAU:  I'll withdraw the objection.

21          JUDGE JONES:  Let's mark it as Exhibit 207,  
22   Office of the Public Counsel's Exhibit 207 and it's a  
23   DR -- how is it identified again?

24          MR. POSTON:  It's Data Request 269  
25   response.

1 JUDGE JONES: How long is that response, by  
2 the way? Is it something that can easily be read into the  
3 record?

4 THE WITNESS: Yes.

5 JUDGE JONES: Go ahead and read it into the  
6 record.

7 MR. POSTON: Judge, I actually have the --  
8 the actual DR itself was a little longer than what I  
9 thought it was.

10 JUDGE JONES: The request is longer or the  
11 answer?

12 MR. POSTON: The request. The answer is  
13 just the one paragraph, but the sheet that we've had  
14 marked doesn't necessarily explain in detail the question  
15 that Staff is requesting of Mr. Noack, so I'd like to  
16 approach him with another document.

17 JUDGE JONES: You want the question and  
18 answer?

19 MR. POSTON: Yeah, I'd like to put both of  
20 these in.

21 MR. BOUDREAU: I would think that would be  
22 a good idea. I mean, if we're going to have a response to  
23 a DR, I think it would be appropriate to have the complete  
24 question as part of that exhibit. Thank you.

25 (EXHIBIT NO. 207 WAS MARKED FOR

1 IDENTIFICATION BY THE REPORTER.)

2 BY MR. POSTON:

3 Q. Mr. Noack, now looking at the complete  
4 document which is two pieces of paper, one is the  
5 question, one is the answer, is this -- are these  
6 documents an accurate reflection of Data Request 269, what  
7 was asked and what was answered by you regarding seasonal  
8 disconnect?

9 A. Yes.

10 MR. POSTON: Your Honor, I don't know if  
11 accepting this document earlier into the record, since it  
12 didn't include the second actual question, I don't know.

13 JUDGE JONES: We'll accept the question and  
14 answer as Exhibit 207.

15 (EXHIBIT NO. 207 WAS RECEIVED INTO  
16 EVIDENCE.)

17 BY MR. POSTON:

18 Q. Mr. Noack, if a customer voluntarily  
19 disconnects at a particular location and later reconnects  
20 service at that same location within seven months, will  
21 MGE bill the customer for the period the customer was  
22 disconnected?

23 A. Read the very first part of that question  
24 again.

25 Q. If a customer voluntarily disconnects --

1           A.       Yes, we will, under the -- under the  
2     language of the seasonal disconnect.

3           Q.       And under your seasonal disconnect  
4     proposal, is that true even if some other customer's  
5     paying for MGE's service at the location, for example, if  
6     it is an apartment that is subleased during some portion  
7     of the seven months?

8           A.       If it's a new customer, then, no, it  
9     wouldn't.

10          Q.       Can you explain that?

11          A.       Well, if the -- if the gas service is in,  
12     let's say, a tenant's name and they leave and it's shut  
13     off and then a new tenant comes in at the end of that  
14     seven-month period and puts the gas in their name, they're  
15     not going to be charged for the time that the service was  
16     off.

17          Q.       So even if they're -- John Smith  
18     disconnects, subleases to someone else, and then six  
19     months later John Smith tries to get gas service back at  
20     that same location, you're saying they will not be then  
21     charged for those six months under your proposal?

22          A.       I'm assuming if he's subleasing it to  
23     someone else, the gas is still on.

24          Q.       Well, let's say it's not still on. Let's  
25     say that the other tenant moves in, connects and gets gas

1 service in their name.

2 A. Well, then we don't have a problem. It's  
3 still on. John Smith moves out for seven months and then  
4 moves back in, we're going to charge him.

5 Q. Even if someone else resided at that  
6 location, received gas service and paid for gas service?

7 A. No. No. It's only if the gas service has  
8 been shut off for that time period and we have not been  
9 collecting a service charge. We're not going to double  
10 bill a premise.

11 Q. So the gas service needs to have been shut  
12 off for the entire period? I mean, is that what you're  
13 saying?

14 A. Yes. Yes. Has to be voluntarily shut off  
15 to basically avoid paying the basic service charge.

16 Q. Can you do that on your billing systems?

17 A. Can we do what?

18 Q. Distinguish between a customer coming back  
19 after six months at the same address where during their  
20 period of, I guess, absence someone else was actually --  
21 had reconnected the service at that same location for the  
22 time period?

23 A. Sure. We have a history of the -- of what  
24 goes on at that meter at the premise, absolutely.

25 Q. How about if a customer temporarily

1 switches to an alternative energy source and is paying for  
2 an alternative energy source at that same location,  
3 propane, for example? They've shut off MGE's service,  
4 they switch to propane, they switch back after six months  
5 or seven months, will that customer be charged?

6 A. Absolutely.

7 Q. What about a customer that has temporarily  
8 moved and was paying for gas service to MGE at a different  
9 location during the seven months?

10 A. The way that the tariff reads now, yes.

11 Q. They would still be charged?

12 A. Yes. We still have facilities in place to  
13 serve that customer at the other location.

14 Q. If a residential property for sale or  
15 residential rental unit is disconnected from service, sits  
16 idle for up to seven months and is then occupied by a  
17 customer who was not previously an MGE customer, will  
18 anyone pay the seasonal disconnection charge?

19 A. No.

20 Q. Is it MGE's position that the previous  
21 residential customer qualifies as belonging to a different  
22 class of customers than a residential customer who simply  
23 disconnects at the same premise for up to seven months?

24 A. Would you repeat that question again, maybe  
25 a little slower? There's a lot in that question.



1           Q.       Is it MGE's position that the previous  
2     residential customer qualifies as belonging to a different  
3     class of customers than a residential customer who simply  
4     disconnects at the same premise for up to seven months?

5           A.       Well, I'm not sure I can answer that  
6     because I'd have to actually see the situation. Right now  
7     I just -- I can't understand what's happening there,  
8     Mr. Poston, and so I really don't know.

9           Q.       If a residential customer is involuntarily  
10    disconnected from service for less than seven months, the  
11    seasonal disconnection charge won't apply, correct?

12          A.       That's correct. Voluntarily is a key word  
13    in our tariff.

14          Q.       Does your seasonal disconnect proposal take  
15    into account any other reasons why a customer may have a  
16    reason to disconnect, other than trying to avoid paying  
17    for a service year round when they're still residing  
18    there?

19          A.       No, it doesn't right now.

20          Q.       Okay. Someone disconnecting for, say, a  
21    hospital stay, military obligations, those type of things,  
22    there's no protections in place to allow them to  
23    disconnect for those reasons?

24          A.       Not yet. Not at this time, no.

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

1 JUDGE JONES: We'll move now to questions  
2 from the Bench. Commissioner Murray, did you have any  
3 questions on seasonal disconnects?

4 COMMISSIONER MURRAY: A couple, thank you.

5 QUESTIONS BY COMMISSIONER MURRAY:

6 Q. Good morning.

7 A. Good morning.

8 Q. Under the company's proposal, what would be  
9 the maximum -- assuming that you get the rate design  
10 requested in this case, assuming that, and then assume  
11 that we take the company's proposal on the seasonal  
12 disconnect tariff, what would be the maximum that one  
13 customer could be charged for that reconnection?

14 A. It would be seven months times the basic  
15 service charge.

16 Q. Which would be?

17 A. As we filed our case, it would have been  
18 27.50.

19 Q. Okay.

20 A. And then plus the \$45 reconnect fee.

21 Q. Okay. And Staff is proposing -- Staff is  
22 not objecting to the seasonal disconnect charge, but wants  
23 to calculate it differently; is that correct?

24 A. No, I don't think so. I think we're mostly  
25 in agreement here on the terms of the seasonal disconnect.

1           Q.       Okay. I haven't had a chance to read  
2       Staff's testimony on that issue.

3           A.       Initially I think they wanted to have it be  
4       12 months and include involuntary shutoffs, but we've got  
5       it agreed to voluntary-only shutoffs and seven months.

6           Q.       Okay. And the Office of Public Counsel's  
7       position is that you should not be charging for voluntary  
8       disconnect at all or do they have --

9           A.       I don't know exactly what their position  
10      is. I thought initially in discussions that so long as we  
11      were not going to burden a low income or a nonpay  
12      individual with something like this, that they were not  
13      far apart from what we were trying to do, but it seems as  
14      though I'm wrong.

15                   COMMISSIONER MURRAY: Thank you.

16                   JUDGE JONES: Commissioner Appling?

17      QUESTIONS BY COMMISSIONER APPLING:

18           Q.       Good morning, sir.

19           A.       Good morning.

20           Q.       Is there a large number of individuals that  
21      you disconnect during this season senior citizens?

22           A.       Now, that I can't answer because I don't --

23           Q.       What's your best guess on that? You've  
24      been around the office for a long time.

25           A.       I have, but I have -- I just have no idea

1 as to, I guess, the type of customer that is disconnected.  
2 And we don't really have a large problem with it now,  
3 Commissioner. It's -- I think there were 1,200 of them,  
4 about 1,200 that disconnected at the same premise and then  
5 reconnected within a month to seven months. So it is not  
6 a huge problem at this time. This is to prevent it from  
7 becoming a problem.

8 Q. I think I'm correct when I read this, that  
9 OPC is opposing -- is opposed to what you're doing, and  
10 you and the Staff's somewhat agreed on this?

11 A. I believe so, Commissioner, yes.

12 COMMISSIONER APPLING: Okay. That's all  
13 the questions I have. Thank you very much.

14 JUDGE JONES: Mr. Chairman?

15 CHAIRMAN DAVIS: I'm saving all my  
16 questions for Mr. Noack.

17 QUESTIONS BY JUDGE JONES:

18 Q. Just so it's clear in the record, right now  
19 if someone disconnects and they remain disconnected seven  
20 months, it has to be seven months, anything less than  
21 that, we don't have a problem; anything more, we don't  
22 have a problem?

23 A. Currently, no, we do not, your Honor.

24 Q. Well, I shouldn't say anything more or  
25 less. If I disconnect for six months, that would still

1 fall under this issue, right?

2 A. It would, but currently we don't have a  
3 tariff in place.

4 Q. Okay. So I call you up and say, I don't  
5 want gas service and I'm calling you up to tell you I  
6 don't want gas service because I'm not shopping for gas  
7 right now and I want you to disconnect it, is there a  
8 disconnection fee?

9 A. No. But there will be a reconnection fee  
10 when you come back on.

11 Q. And it's \$45?

12 A. It is \$45, yes.

13 Q. And what you're proposing then is that I be  
14 charged for that interim, that's the language that you  
15 want?

16 A. Yes.

17 Q. And you want that language in light of the  
18 proposal to also have a straight fixed variable rate,  
19 which will raise the basic service charge?

20 A. Yes, because what we don't want is for  
21 customers to -- as soon as springtime comes, to say,  
22 please shut us off because we don't want to pay the basic  
23 service charge. We'll call you back up in October and let  
24 you turn us back on. Because we have to have everything  
25 sitting there ready to serve them 12 months out of the

1 year.

2 Q. I'll come back to that issue in just a  
3 second. But you realize that by raising the basic service  
4 charge under the straight fixed variable rate, you create  
5 incentive for people to want to shut off?

6 A. Yes, your Honor, I understand that, and  
7 we're trying to create a disincentive also with this.

8 Q. It's kind of like giving people more drugs  
9 and then raising the price of it. You're creating  
10 incentive to make them have to pay more. They don't want  
11 to pay more because it costs more, but now they have to  
12 pay more. You have a captive audience and now you want  
13 even a more captive audience. They're captive for the  
14 time they don't want to be involved with the gas service.

15 A. Well, you've got to remember that, you  
16 know, this captive audience is paying 75 percent of their  
17 bill for a commodity that we don't profit from at all.

18 Q. That's the non-gas cost?

19 A. That's the gas cost.

20 Q. That's the gas cost?

21 A. Right. The way that I look at the straight  
22 fixed variable rate is it's basically a level pay plan for  
23 non-gas costs, is what it is. Because their bill is going  
24 down in the wintertime when they're using gas, it's going  
25 up a little bit in the summertime when they're not using

1 gas, but they're paying generally the same amount for the  
2 12 months period.

3 Q. So under the current plan, if the  
4 volumetric rate is 75 percent of what they're paying,  
5 you're only losing that 25 percent if we were to not adopt  
6 this seasonal disconnect language?

7 A. No. We're losing 100 percent because our  
8 rate case is asking for the 25 percent, the level that the  
9 25 percent should be at. So if they quit, if they  
10 disconnect, we're going to lose 100 percent of our piece  
11 of it.

12 Q. Now, here's a broader -- I take it you can  
13 respond to policy questions. Here's a -- I'm a customer  
14 and I come to you and say, why in the world do I need to  
15 pay for gas service that I don't want? How are you going  
16 to respond to the public on that issue?

17 A. Well, No. 1, the way that we've set up the  
18 rate is we've set it up so that the non-gas piece that  
19 you're paying is less in the wintertime and a little more  
20 in the summertime. We're probably -- it's less in the  
21 winter, more in the summer. We still have to keep the  
22 meter there, we still have to go by and read it each  
23 month, and we've got the service lines, we have --  
24 everything that we would -- that we have to do when you're  
25 taking gas is in place if you decide not to take gas.

1           Q.       Why do you have to read the meter if it's  
2 off?

3           A.       Because we -- with the automatic or  
4 automated metering, the truck -- it's automatic. It's --

5           Q.       Where is the cost in that?

6           A.       The cost is in the equipment. It's in the  
7 meter itself. It's in the --

8           Q.       Isn't that paid for already?

9           A.       No. It's in our rate base. We're earning  
10 a return on it.

11                   JUDGE JONES:   Seems like I had another  
12 question, but I won't belabor the point. Any more  
13 questions from the Bench?

14                   COMMISSIONER MURRAY:   Just one more.

15                   JUDGE JONES:   Commissioner Murray?

16                   COMMISSIONER MURRAY:   Thank you.

17 FURTHER QUESTIONS BY COMMISSIONER MURRAY:

18           Q.       I was just reviewing what you said would be  
19 the maximum charge, and basically that would amount to a  
20 customer who disconnected during the time period paying  
21 more than if they just stayed on the system; is that  
22 correct?

23           A.       They would pay an extra \$45 to be  
24 reconnected, yes. I mean, that's the amount, the extra  
25 they would pay. Other than that, no, they would not.



1           Q.       Okay. So the purpose of the tariff is, the  
2 proposed tariff is just to make sure that the company  
3 recovers all of the fixed costs of serving every customer  
4 who is at any point during the year connected to the  
5 system; is that correct?

6           A.       That's correct.

7                   COMMISSIONER MURRAY: Thank you.

8                   JUDGE JONES: I remember that question I  
9 had.

10          FURTHER QUESTIONS BY JUDGE JONES:

11          Q.       How big is this problem that you have with  
12 people doing this?

13          A.       Well, right now -- that's what I'm saying,  
14 it's not very big. It's about 1,275 customers we've been  
15 able to identify as having shut off and turned on at the  
16 same address within seven months.

17          Q.       How many customers do you have in total?

18          A.       450,000 residential customers. So right  
19 now it's not a big problem. It's -- \$140,000 would be the  
20 total value of the -- of the issue at the new basic  
21 service charge.

22                   JUDGE JONES: Any other questions from the  
23 Bench?

24                   COMMISSIONER APPLING: Last question.

25          FURTHER QUESTIONS BY COMMISSIONER APPLING:

1           Q.       What is -- and I should know this, but I  
2 don't. What is the cost for the -- just for the regular  
3 service, is it \$11 and something?

4           A.       Currently?

5           Q.       Currently, yes.

6           A.       11.65 is the customer charge.

7           Q.       Are you asking to change that?

8           A.       Yes, Commissioner, we're asking to totally  
9 get rid of the delivery charge of 13 cents per CCF and  
10 build everything into a basic service charge.

11          Q.       And what would that be for me if I was a  
12 customer, the basic service charge?

13          A.       At the level -- based on our initial  
14 filing, it would be 27.50.

15          Q.       So you're going from 11 to 26?

16          A.       Yes, Commissioner, but again, that -- to  
17 keep in mind, that reflects a reduction in the wintertime  
18 and an increase in the summertime. I mean, think of it as  
19 like I told Judge Jones, it's a level pay plan for the  
20 non-gas charges where you just pay the same amount each  
21 month.

22                   COMMISSIONER APPLING: Thank you.

23                   THE WITNESS: You're welcome.

24                   JUDGE JONES: Okay. Commissioner Murray?

25                   COMMISSIONER MURRAY: Just a follow up

1     there.

2     FURTHER QUESTIONS BY COMMISSIONER MURRAY:

3             Q.       And I'm just trying to understand the  
4     significance of the reduction during the winter months and  
5     the increase during the summer months of the non-gas  
6     charges. The significance of that for the company, I  
7     would assume, if you have more disconnects during the  
8     summer, would be that you recover actually less of your  
9     fixed costs under the new rate design?

10            A.       Yes, and that's why we are proposing the  
11     seasonal disconnect tariff.

12            Q.       Because those who would remain connected  
13     during the heating season would have the benefit of the  
14     levelized recovery of the non-gas costs?

15            A.       True. And really, in addition, their bill  
16     for the non-gas piece is capped out. There is no risk to  
17     the customer for -- I mean, while we talk about no risk to  
18     the company if it's warmer than normal, this takes away  
19     the risk to the customer if it's colder than normal for  
20     the non-gas portion of that bill. They do not pay more.

21            Q.       But if it provided an incentive to  
22     disconnect and then reconnect only during the winter  
23     months, that would allow those customers to receive  
24     service without paying the full cost of serving them; is  
25     that correct?

1           A.       Absolutely. Absolutely.

2           COMMISSIONER MURRAY: Thank you.

3           JUDGE JONES: Okay. We'll move on to  
4 recross from the Staff of the Commission.

5           MR. REED: No, thank you.

6           JUDGE JONES: The Office of Public Counsel?

7           MR. POSTON: Just one.

8 RECROSS-EXAMINATION BY MR. POSTON:

9           Q.       When MGE puts facilities into a house,  
10 going to a house, there's no guarantees that the customer  
11 won't shut off their service for good; isn't that true?

12          A.       No, there's no guarantee.

13          MR. POSTON: Thank you.

14          JUDGE JONES: And we'll move to redirect  
15 from Missouri Gas Energy.

16          MR. BOUDREAU: Yes, thank you.

17 REDIRECT EXAMINATION BY MR. BOUDREAU:

18          Q.       I just have a few questions. I want to go  
19 back to a question that Commissioner Appling asked you,  
20 and I believe that the question -- or he asked you about  
21 the difference in the basic customer charge under the  
22 current rate structure versus under the straight fixed  
23 variable.

24          A.       Yes.

25          Q.       I believe your testimony was from

1 approximately 11 or \$12 to approximately 26 or 27; is that  
2 correct?

3 A. That's correct.

4 Q. Now, the fixed -- would you -- let me ask  
5 it this way: It wouldn't be accurate to say that the  
6 monthly rate impact for the non-gas costs would be just  
7 the difference between those two numbers, because under  
8 the current rate structure there's a rate element for the  
9 volumetric component as well; isn't that correct?

10 A. That's correct.

11 Q. And that volumetric rate element under the  
12 straight fixed variable proposal would go away?

13 A. That would go away entirely.

14 Q. So the impact for non-gas costs will be  
15 less than the difference in the two numbers you mentioned;  
16 isn't that correct?

17 A. Yes.

18 Q. Just so I understand, the \$140,000 number  
19 that you -- or figure that you mentioned in your  
20 testimony --

21 A. Yes.

22 Q. -- was that allocation based on the current  
23 1,200 -- approximately 1,200 voluntary cutoff number in  
24 terms of customers?

25 A. Yes, it's based on the 1,275 voluntary

1 shutoffs.

2 Q. And at the risk of muddying the record that  
3 may be okay, I want to go back to a series of questions  
4 that you were asked, and actually one question out of a  
5 series of questions you were asked by Mr. Poston.  
6 Remember the John Smith scenarios?

7 A. Yes.

8 Q. I believe at one point -- and if I  
9 misunderstood this, that's fine, but I believe at one  
10 point he asked you the question about whether or not under  
11 the proposed tariff the customer had to be voluntarily  
12 disconnected for the full seven-month period in order for  
13 the tariff to have any applicability. Do you recall that,  
14 or did I misunderstand the question?

15 A. I don't recall if he said it in that way or  
16 if it was up to seven months.

17 Q. Okay. But I guess my question is,  
18 there doesn't have to be a disconnection for the entire  
19 seven-month period under the proposed tariff language.  
20 For instance, if there's a voluntary disconnect for a  
21 shorter period of time, five months --

22 A. Correct.

23 Q. -- the tariff would still have  
24 applicability; isn't that correct?

25 A. Correct. The tariff reads up to seven

1 months.

2 MR. BOUDREAU: Okay. I just wanted the  
3 record to be straight on that point. I believe that's all  
4 the questions I have. Thank you.

5 JUDGE JONES: Okay. Thank you, sir. You  
6 may step down.

7 We'll move on to Staff's witness. Did you  
8 want to give an opening statement?

9 MR. REED: Very brief, Judge. The Staff's  
10 position is that Staff is willing to allow MGE's proposal  
11 regarding seasonal disconnect to be implemented in order  
12 to determine its deterrent effect.

13 Staff recommends two exceptions to the  
14 seasonal disconnect tariff language. One would be that if  
15 a customer voluntarily disconnects but gas remains on at a  
16 particular premise, that upon the return of the original  
17 customer, by chance, who voluntarily disconnected, there  
18 would not be a seasonal disconnection fee. As Mr. Noack  
19 had stated in his testimony, MGE doesn't intend to double  
20 bill for any particular premises.

21 The second exception would be that if the  
22 customer voluntarily disconnected but then took MGE gas  
23 service at a different location, then, of course, there  
24 would be no seasonal disconnection fee even if the person  
25 moved back to the original residence.

1                   With regard to the funds that are generated  
2 by seasonal disconnection fees, the Staff does not agree  
3 that this money should be placed into a fund for any  
4 purpose such as conservation. Rather, the amount that  
5 would be generated should be counted as part of revenues.  
6 Staff's calculation of the monthly fee based upon the  
7 straight fixed variable rate design is \$23.48, as opposed  
8 to I think it was the 27.50 that Mr. Noack mentioned.  
9 That's the best number Staff has at present.

10                   Finally, Mr. Ensrud had prepared a  
11 calculation of the cost to MGE for the voluntary  
12 disconnection. I'm going to have that marked when  
13 Mr. Ensrud comes up and ask him to explain that with the  
14 parties' indulgence here this morning. Thank you.

15                   JUDGE JONES: Thank you. You can call your  
16 first witness.

17                   MR. REED: Michael Ensrud.

18                   (Witness sworn.)

19                   JUDGE JONES: Thank you, sir. You may be  
20 seated.

21 MICHAEL ENSRUD testified as follows:

22 DIRECT EXAMINATION BY MR. REED:

23                   Q.       You're Michael Ensrud?

24                   A.       Correct.

25                   Q.       You prepared direct testimony and rebuttal



1 testimony in this case?

2 A. I did.

3 Q. Do you have any corrections to that  
4 testimony?

5 A. No, not at present.

6 Q. If asked the same questions here today,  
7 would your answers be the same?

8 A. They would.

9 MR. REED: Mr. Ensrud's direct is marked as  
10 Exhibit 125, rebuttal is marked as Exhibit 126. I'd move  
11 for admission of those exhibits at this time.

12 JUDGE JONES: Any objection?

13 MR. BOUDREAU: None, thank you.

14 JUDGE JONES: Exhibits 125 and 126 are  
15 admitted into the record.

16 (EXHIBIT NOS. 125 AND 126 WERE RECEIVED  
17 INTO EVIDENCE.)

18 MR. REED: I have an additional exhibit  
19 here this morning, Judge, that I would like marked as I  
20 believe it would be 125A.

21 JUDGE JONES: Okay.

22 MR. REED: I provided it to the parties. I  
23 have copies for the Bench, if I may approach.

24 (EXHIBIT NO. 125A WAS MARKED FOR  
25 IDENTIFICATION BY THE REPORTER.)

1                   MR. REED: I'd like to inquire with  
2 Mr. Ensrud about Exhibit 125A, if I may.

3                   JUDGE JONES: Go right ahead.

4 BY MR. REED:

5               Q.       Mr. Ensrud, Exhibit 125A that you have in  
6 front of you is a calculation that you prepared?

7               A.       Yes. I started out with the work of OPC,  
8 but I have gone ahead and modified the information that  
9 they -- from their study.

10              Q.       All right. The calculations that you've  
11 done is ultimately based upon company information?

12              A.       Correct.

13              Q.       Could you describe what you did here?

14              A.       I had issued a Data Request 237 in which  
15 Mr. Noack had talked about which provided I think it was  
16 200 -- or I think it was 2,662, 2,662 examples of  
17 voluntary disconnects where they eventually went ahead and  
18 paid, and what he had done is he had taken them and there  
19 were some who paid the day after disconnection, which is  
20 strange, voluntary disconnection, up to I think the  
21 farthest out was like 20, 23 months, I believe. I have to  
22 look.

23              Q.       You're referring to people who disconnected  
24 voluntarily and then reconnected?

25              A.       Correct.

1 Q. Okay. Go ahead.

2 A. And given that, OPC had taken that  
3 information and applied various charges. What they had  
4 done is they looked at if Staff's position had prevailed,  
5 if their position had prevailed in relation to delivery  
6 charges, they'd also gone back and looked at various  
7 scenarios under the old customer charge. I only focused  
8 in on the Staff's proposal of the 23.48 delivery charge  
9 that Ms. Anne Ross had proposed.

10 Q. Did you have actual numbers for how long  
11 people were disconnected and then calculate those months  
12 by 23.48 to come up with numbers?

13 A. Correct.

14 Q. What number of customers did you ultimately  
15 use?

16 A. Again, the sample that they provided, I  
17 believe there are 2,662 lines, which makes me think there  
18 are that many customers, specific events that are being  
19 proposed. If my count is right, the seven-month  
20 threshold, which is where they would be allowed to charge,  
21 and after that they could not charge, I think there was  
22 like 1,684 examples of a base of 2,600.

23 Q. 1,684 customers who --

24 A. Who fell from one day out to seven months  
25 out, would have been within the seven-month criteria.

1           Q.       They voluntarily disconnected and then  
2   reconnected?

3           A.       Correct.

4           Q.       So you calculated all those numbers using  
5   23.48 and you came up with 114,447?

6           A.       Right. That figure was calculated by Barb,  
7   and I would say that that is substantially right. She  
8   used seven months and thirty months each. Over a  
9   seven-month period there actually would be probably two  
10   days, so hers is perhaps short by two days, but it's  
11   substantially, I mean, two days on a 221 base is not  
12   bad -- or 210 base. Sorry.

13          Q.       Mr. Ensrud, can I ask Staff's position on  
14   the use of the funds generated by seasonal disconnection?  
15   Does Staff have a position on that issue?

16          A.       Yes. If this proposal is approved, it's  
17   revenue just like any other revenue. Therefore, it should  
18   go to meet the revenue requirement.

19                 MR. REED: Thank you. I'd move for  
20   admission of Exhibit 125A.

21                 JUDGE JONES: Any objection?

22                 MR. BOUDREAU: No, thank you.

23                 JUDGE JONES: Exhibit 125A is admitted into  
24   the record.

25                 (EXHIBIT NO. 125A WAS RECEIVED INTO

1 EVIDENCE.)

2 MR. REED: Tender the witness for  
3 cross-examination.

4 JUDGE JONES: Any cross-examination from  
5 Missouri Gas Energy?

6 MR. BOUDREAU: None, thank you.

7 JUDGE JONES: Any cross-examination from  
8 Office of the Public Counsel?

9 MR. POSTON: Yes, thank you, just a few.

10 CROSS-EXAMINATION BY MR. POSTON:

11 Q. The study you were just talking about,  
12 Ms. Meisenheimer's study that you reviewed, the 30 days  
13 you just referenced, was that provided by account?

14 A. I believe it was.

15 Q. And were you in the room when I was asking  
16 Mr. Noack a question about a scenario where a customer  
17 leaves and sublets the home or apartment to another  
18 individual? Did you hear that scenario?

19 A. I believe what you're talking about is what  
20 I've referred to in other testimony as the interim  
21 situation where Customer A leaves, say, on January 1st, on  
22 March 1st, Customer B comes in, stays for two months, and  
23 then Customer A would return. That was my understanding  
24 of the scenario you were setting out,  
25 where there's an interim person at the premise between

1 Customer A leaving and Customer A returning. There was a  
2 Customer B at the premise; is that correct?

3 Q. Yes. And do you have any concerns about  
4 the possibility under MGE's proposal for double recovery  
5 in that type of scenario?

6 A. If Customer B in this scenario is paying  
7 either a customer charge or a delivery charge, the fixed  
8 costs are being recovered by his payments. So then if you  
9 go back and charge him for the whole seven-month period,  
10 not disregarding the fact there were people there in the  
11 interim, under that scenario, MGE would double recover for  
12 that specific plant.

13 Q. And under their proposal, that's a  
14 possibility?

15 A. As of present, I mean, I had -- you'd  
16 mentioned a DR of mine, 161. My understanding after  
17 conversation was initially that they thought there was  
18 exemptions, but the written response I interpreted to be  
19 that there are no exemptions.

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

21 JUDGE JONES: Any questions from the Bench,  
22 Commissioner Murray?

23 COMMISSIONER MURRAY: Thank you.

24 QUESTIONS BY COMMISSIONER MURRAY:

25 Q. Good morning, Mr. Ensrud.

1           A.       Good morning.

2           Q.       I have a few questions for you. Explain to  
3 me the issue of the use of the funds. I understand that  
4 Staff is saying that it should be counted as revenue.

5           A.       Right.

6           Q.       And I understand that. How is the company  
7 proposing to calculate it?

8           A.       It's not how it's calculated. It's what's  
9 done with it. I think there has been at least some  
10 discussion of it being used as an offset to weatherization  
11 or et cetera. I don't know why this type -- particular  
12 type of revenue for this particular new service should be  
13 earmarked any differently than any other new service or  
14 any other increase to existing service. There's no reason  
15 to earmark it for a special fund.

16          Q.       All right. But wouldn't that amount have  
17 already been calculated in revenue? I mean, this is an  
18 amount that is being collected from customers who have  
19 voluntarily disconnected, but if they didn't voluntarily  
20 disconnect, everything except that \$45 reconnect would  
21 have already been in revenue, would it not, in the revenue  
22 calculation?

23          A.       There are people today who engage in  
24 seasonal disconnect who pay nothing for the time that they  
25 are disconnected. When you establish this type of charge,

1     there will be incremental new revenue generated by saying,  
2     Customer A, you were off for six and a half months, you  
3     need to pay us for that time that was off. That's revenue  
4     that's not taking place today.

5                     When it's generated, the question becomes,  
6     is it appropriate to earmark this revenue for a specific  
7     fund or not? My position is, it's no different than  
8     raising the customer charge or any other element within  
9     this service. It should just go to meet the traditional  
10    revenue requirement of the case.

11            Q.     Okay. What I'm trying to understand,  
12    though, is that if there were no disconnects, these  
13    monthly charges would be in place; is that correct?

14            A.     If there were no disconnects, those charges  
15    would be in place. But the point is, those people are  
16    disconnected today, sitting out from utilizing service,  
17    paying for the fixed cost, and they come back on, there is  
18    no remuneration to the company for the assets that were in  
19    place for those six months or five months.

20            Q.     That's not my question. That's not where  
21    I'm going. What I'm trying to do is understand this, how  
22    you're wanting to treat it in terms of calculating it as  
23    revenue. I understand that it is revenue. However, the  
24    customer charge, the fixed monthly charge is already  
25    calculated as revenue, is it not?



1           A.       For those who actually pay, the assumption  
2   is that it's -- that it's included within the  
3   calculations, within the billing determinants.

4           Q.       And in order to determine what that monthly  
5   amount is, the monthly fixed charge for the customer is,  
6   don't you have to calculate it based on assuming that  
7   every customer is paying?

8           A.       No.   That's my understanding of how the  
9   billing determinants work is that the units that are  
10  applied to the new rate would not reflect these people who  
11  said, bye-bye, I'm out of here for five months.

12          Q.       The ones in the past?

13          A.       Are in the past.   So there's no revenue  
14  being generated from those people today, even though their  
15  costs, their commensurate costs just continue to roll on.

16          Q.       Okay.   This's no revenue being generated,  
17  but are those customers counted in determining what  
18  revenue the company will get from this fixed monthly  
19  charge?

20          A.       They're counted as customers but their  
21  billing determinants, which is the frequency that a bill  
22  is accrued, is devoid of those months that they are off,  
23  and therefore, the revenues are suppressed to reflect that  
24  Customer A was off for five months.

25          Q.       So when we look at -- when we determine the

1 revenue requirement for the company, we're not determining  
2 that every customer is paying that monthly charge in order  
3 to meet that revenue requirement; is that what you're  
4 saying?

5 A. That is correct.

6 Q. So the way Staff wants to treat it would  
7 not in any way be double counting that --

8 A. No.

9 Q. -- revenue that the company receives?

10 A. No, it would not.

11 Q. Okay. That's just what I wanted to make  
12 sure I understood. Then the exceptions that your counsel  
13 spoke about in his opening on this issue, I didn't  
14 understand what the first exception that Staff is  
15 proposing does. Would you go through that?

16 A. The interim one that we just talked about?

17 Q. Is that it?

18 A. Which is if you moved out and Commissioner  
19 Appling moved in to the apartment, MGE would no longer get  
20 money from you for those fixed assets, but they would now  
21 be getting them from Commissioner Appling. If within  
22 seven months you said, I'd like my apartment back, then  
23 you would commence being the party who pays for those. It  
24 would be unjust and inappropriate, in my example, to have  
25 Mr. -- or Commissioner Appling pay five months and then

1     you still have to pay the full seven.

2             Q.       And I understand that. But how are you  
3     putting that in the tariff? How do we determine that the  
4     company only collects from one person for every particular  
5     period of time?

6             A.       I had language in a futuristic case that  
7     addresses that, which would probably be appropriate in  
8     this situation, if I can find it.

9             Q.       Is that language that you have put in  
10    your -- in the testimony?

11            A.       It is not -- it is not in the MGE case. It  
12    is in -- this issue is addressed in Ameren.

13            Q.       Do you have specific tariff language to  
14    propose to make sure that only one customer at a time is  
15    billed the fixed charge for any particular location?

16            A.       Correct.

17            Q.       Okay. All right. You don't have to get it  
18    out right now. And then when is -- assume a customer  
19    disconnects for five months and then asks to be --  
20    requests reconnection. When does the accumulated amount  
21    get paid? When does the customer make that payment? Is  
22    that at the time of reconnection? Is that before they can  
23    be reconnected or --

24            A.       I believe I've addressed that in my  
25    direct testimony, and I believe what I had said was that

1 in the case of a voluntary disconnect, the customer should  
2 have -- if a customer was disconnected for five months in  
3 your scenario, that they would have up to three months to  
4 recapture those funds, that if you're off for a month, you  
5 had a month to pay, if you were off for two, you had two,  
6 three for three. But after three, if you were four or  
7 five or six, you would have three months to pay back the  
8 money.

9 Q. All right. And -- but would they have to  
10 pay up front the reconnect fee, the \$45 reconnect fee?

11 A. My understanding is that they will even  
12 bill you the reconnect fee on your first bill. So you  
13 would probably have to pay the reconnect fee, since it's a  
14 separate component, with the initial bill.

15 Q. And is that what the company's tariff is  
16 proposing, as well as what Staff is proposing?

17 A. I don't know -- I don't believe their  
18 testimony addresses that a person would have -- would  
19 have -- what time frame the person would have to make up  
20 those payments.

21 Q. So where --

22 A. In fact, I'm sure they don't.

23 Q. -- do you come up with the three months?  
24 Is this something you think ought to be in the tariff?

25 A. Right. It's consistent with a proposal in

1 a past case.

2 Q. And then in your testimony earlier or --  
3 yeah, I believe it was in relation to questions about  
4 Exhibit 125A, I think you indicated that as many as  
5 1,684 customers were disconnected at the point in time  
6 that you examined for actuals; is that correct?

7 A. For the data in 237, as I understand that  
8 data, they sent me over 2,600 examples of people who  
9 disconnected for at a minimum of one day and I believe it  
10 was as much as 22 months.

11 Q. That's out of how many customers?

12 A. That is -- that is the total universe of  
13 voluntary disconnects.

14 Q. But out of how many total customers?

15 A. Out of how many total customers, I had used  
16 in my calculations 509,716, which is off their annual  
17 report for 2005. Now, I think I heard Mr. Noack say that  
18 about 450,000 of them are residential. My understanding  
19 in conversations is that the numbers of those disconnects  
20 vastly loaded with residential, but I don't think he said  
21 they were 100 -- he couldn't guarantee me that they were  
22 100 percent residential, was the gist of the -- or the  
23 impression left after the conversation, that it was the  
24 vast majority residential, but he wasn't absolutely  
25 certain it was 100.

1           Q.       All right. I think I just have one more  
2 question. Is it your opinion that with the rate design  
3 that is proposed here by the company and Staff, that if we  
4 did not allow this customer disconnect tariff, seasonal  
5 disconnect, that the company would be likely to experience  
6 an underrecovery of the fixed non-gas charges?

7           A.       I'm not so worried about the company's  
8 underrecovery because of what we talked about earlier with  
9 the billing determinant. As long as the number will stay  
10 off the network, stay consistent from rate case to rate  
11 case, they have probably gotten the money that they are  
12 entitled to. It's only when that number changes from one  
13 case to another when the company expands that first MGE  
14 has to take it and make up the difference, but eventually  
15 it's transferred.

16                   My major concern is it gets transferred to  
17 the remaining people who stay on 12 months out of the  
18 year, what the proposal would do using my figures, the  
19 114,000, eventually -- well, since we've got the revenue  
20 requirement this time, the others, the people who stay  
21 year round will be less on the hook by \$114,000 for the  
22 fixed assets that are really attributable to people who  
23 engage in seasonal disconnect.

24           Q.       Okay. So that's what happens if you don't  
25 collect from the people who seasonally disconnect, that in

1 the next rate case gets moved to those who do not  
2 disconnect?

3 A. Right. It gets -- it becomes proportioned  
4 where those who are there year round pay some portion of  
5 that 114,000, that that, at least in my mind the way I  
6 would present it to you, is costs that belong to the  
7 person who engages in seasonal disconnect.

8 Q. So those who stay on the system year round  
9 subsidize those who choose to disconnect during the summer  
10 months?

11 A. In the long run, that's true.

12 COMMISSIONER MURRAY: Thank you very much  
13 for explaining.

14 JUDGE JONES: Commissioner Appling?

15 QUESTIONS BY COMMISSIONER APPLING:

16 Q. Michael, let's go to your rebuttal  
17 testimony, and I think it's page 2 in that.

18 A. Yes.

19 Q. So what you're telling me this morning,  
20 that Staff agrees and it supports MGE in this \$45  
21 reconnection fee and all that?

22 A. The \$45 is not changed from the existing  
23 fee. That's -- in a prior case, they have justified the  
24 idea that the underlying cost of dispatching somebody and  
25 running them out in the truck to turn somebody's service

1 off seems to justify or constitutes a \$45 fee. That's not  
2 changing. What's being added is the recovery mechanism  
3 for people who are off for a period.

4 Q. What do you say to OPC who is opposing this  
5 process?

6 A. I guess my response, they have never said  
7 what they would propose in the interim. I think it boils  
8 down to that they don't see the shifting that I explained  
9 to Commissioner Murray as a real problem. They don't  
10 think that that is. I do, and I think that the person who  
11 takes the hiatus for a number of months and causes --  
12 eventually causes other people to pay, I think there  
13 should be a mechanism. Fixed costs that relate to a  
14 particular individual, it should be recovered from that  
15 individual.

16 COMMISSIONER APPLING: Thanks, sir.

17 JUDGE JONES: I think I just have one  
18 question.

19 QUESTIONS BY JUDGE JONES:

20 Q. I probably should have asked the company  
21 witness this, but I'll ask you, since you support their  
22 position. A person is disconnected voluntarily for up to  
23 seven months, and you propose to treat that customer as if  
24 they were connected for that time period; is that right?

25 A. Right. In fact, it's probably worse



1 because he has incurred the cost of making the company go  
2 out and turn him off and eventually go back and turn him  
3 on, but he pays the -- he pays the -- what would be agreed  
4 to as the appropriate level of fixed costs.

5 Q. And what do you say to the customer then  
6 who says, well, fine, if you're going to treat me like I'm  
7 connected for seven months, then I shouldn't have to pay a  
8 \$45 reconnection fee?

9 A. In a way, that --

10 Q. Treat it like I'm connected and not charge  
11 me a fee.

12 A. In a way that's what they're trying to do.  
13 I mean, there's two aspects to this. No. 1 is like a  
14 deterrent. I don't want you to call me up and, say,  
15 engage in seasonal disconnect because it doesn't save me,  
16 being the company, any dollars by you doing that.

17 And No. 2, there is an incremental cost for  
18 turning you off and turning you on, and if you would just  
19 stay on the system year round, you can avoid the \$45 cost.  
20 So I think they are trying to dissuade or discourage  
21 people from engaging in the activity. But if you persist  
22 and say, I still do not want gas service, then you pay the  
23 cost of the disconnect and you pay the cost associated  
24 with those fixed plants that remain in your -- you know,  
25 in anticipation of you regaining and returning to service.

1 JUDGE JONES: Okay. Thank you. Any more  
2 questions from the Bench?

3 (No response.)

4 JUDGE JONES: Seeing none, we'll move on to  
5 recross from MGE.

6 MR. BOUDREAU: Yes, I think I have a few  
7 questions.

8 RECROSS-EXAMINATION BY MR. BOUDREAU:

9 Q. I'm not sure what order to take them in.  
10 Just bear with me here. Mr. Ensrud, I think you got some  
11 questions from Mr. Poston about a scenario where a  
12 customer disconnects, somebody else has service at the  
13 same location for a period of time, maybe disconnects and  
14 then the first customer comes around?

15 A. And then your initial customer returns --

16 Q. Yes.

17 A. -- within the seven months?

18 Q. Yes. And I believe it was your testimony  
19 that the tariff language doesn't expressly address that  
20 scenario, is my recollection of your testimony?

21 A. Yes.

22 Q. You were -- were you here this morning when  
23 Mr. Noack testified on this topic?

24 A. Right.

25 Q. And do you recall him testifying that the

1 company wouldn't double bill under that scenario, that is,  
2 bill the interim customer and still bill the original  
3 customer for that period of time of the voluntary  
4 disconnect? Do you recall that?

5 A. Yes, I do.

6 Q. And that's his testimony on the stand and  
7 it's part of the record of this case, right?

8 A. Right.

9 Q. So you understand that that's the -- that's  
10 the way the company intends to administer its tariff in  
11 that circumstance?

12 A. I hope that's the case, but they also --  
13 Public Counsel also entered a DR response which muddled  
14 that.

15 Q. If I might, I understand that there's a DR  
16 response that's been put into the record, and I have a  
17 copy of that and I appreciate that. I just want to know  
18 that there's an understanding that you heard what  
19 Mr. Noack said on the record about that scenario; is that  
20 correct? I mean, you heard that?

21 A. Right. Assuming the testimony trumps the  
22 DR, then I take that as an acknowledgement.

23 Q. Fair enough. Let me move on. You also  
24 have testified, I believe, that you believe that any  
25 revenue impact should be treated like any other revenue in

1 the case; isn't that correct?

2 A. Yeah. There's no reason to earmark it.

3 MR. BOUDREAU: May I approach the witness,  
4 please?

5 JUDGE JONES: Yes, you may.

6 MR. BOUDREAU: For the record, I'm going to  
7 show the witness a copy of the Staff's case  
8 reconciliation.

9 BY MR. BOUDREAU:

10 Q. When you've had a chance to review that,  
11 sir, please let me know.

12 Have you had a chance to review the  
13 document?

14 A. Yes, I have.

15 Q. Can you tell me what that document appears  
16 to be?

17 A. It's a rec -- reconciliation of the issues  
18 heard, and assigns dollars to specific issues.

19 Q. It's the issues in this case; is that  
20 correct?

21 A. I believe so.

22 Q. Okay. Is there any dollar amount on  
23 Staff's reconciliation associated with the seasonal  
24 disconnect tariff issue?

25 A. There is a weather normalization.

1 Q. That's not the question I asked you, sir.

2 A. Seasonal disconnect, environmental  
3 response, emergency cold weather. Is that --

4 Q. I don't believe that's the issue, sir. Is  
5 there any --

6 A. Low income --

7 JUDGE JONES: Are you asking him if the  
8 issue of seasonal disconnect is on Staff's reconciliation?

9 MR. BOUDREAU: I'm asking whether Staff's  
10 reconciliation that was filed in this case shows any  
11 revenue impact associated with the seasonal disconnect  
12 tariff.

13 THE WITNESS: There is nothing that  
14 specifically addresses seasonal disconnect. I don't know  
15 if it's incorporated in something. I don't see that --

16 BY MR. BOUDREAU:

17 Q. Thank you, sir. Thank you. That's the  
18 answer to my question.

19 As I understand your earlier testimony with  
20 respect to your calculation of the revenue impact, that  
21 was based on, I think, Staff's proposed delivery charge of  
22 \$23.48 per month; is that correct?

23 A. Correct.

24 Q. Now, that number may not be the number that  
25 the Commission adopts in this case, even if it adopts the

1 straight fixed variable rate design proposal that has been  
2 basically, in concept, proposed by both Staff and the  
3 company, right?

4 A. Correct.

5 Q. So we don't -- that number, the delivery  
6 charge and the number that you've calculated, we don't  
7 know exactly how that's going to sort itself out, do we?

8 A. What you're saying is that if the delivery  
9 charge or the customer charge varies, then the amount is a  
10 derivative thereof?

11 Q. Yes.

12 A. Which is exactly -- exactly true.

13 Q. That's my question. Thank you. And it's  
14 also, as I understand -- I think I understood your earlier  
15 testimony that your calculations are also based on an  
16 assumed number of seasonal disconnects, which are really  
17 kind of connected to the company's prior history with  
18 that, is that correct, I mean the number?

19 A. It's based upon historical data. It's not  
20 estimates.

21 Q. And that, too, that number may change  
22 somewhat if the basic customer service charge changes.  
23 Were it to increase, there might be more people that would  
24 do it in the absence of the tariff language; is that  
25 correct?

1           A.       That's true, but that type of application  
2       is traditional with ratemaking principles.

3           Q.       I understand that. I understand that. But  
4       I'm saying that there's some things in play here, would  
5       you agree with me, that depending on what the Commission  
6       does with the rate design proposals, that can affect how  
7       these numbers shake out?

8           A.       Certainly, as I said before, whether it be  
9       2,348 or a figure different, that will change it.

10          Q.       Right.

11          A.       But I don't see it as a great flaw that the  
12       number of occurrences is based upon a historical test  
13       year.

14          Q.       What I'm asking is, with the calculation  
15       that you made for your Exhibit 125A, the \$116,000 figure,  
16       that number has a number of assumptions built into it  
17       about what the basic service charge will be and the number  
18       of customers that may pursue a voluntary disconnect; isn't  
19       that correct?

20          A.       I guess to a varying degree. The number  
21       that comes out of the case has some variance, but the  
22       historic number that went into there, while it won't be  
23       the same in the future, it's traditionally consistent to  
24       use a historical count.

25          Q.       Look, I understand that you're comfortable

1 with your methodology. My question to you is, none of us  
2 sitting here today really knows for sure, I mean, with any  
3 real sort of confidence what that number's going to be. I  
4 mean, the company's calculated a number that's a little  
5 bit higher. I think Public Counsel's calculated a number  
6 that's a little bit different. You've calculated this  
7 number. We're all dealing with a circumstance. We're not  
8 sure how it's going to play out; isn't that correct?

9 A. As with most rate cases, that is true.

10 Q. Well, that's my question. So would you  
11 agree with me, as we sit here today, that this number  
12 isn't really something that we can look at as being kind  
13 of a known and measurable sort of item for ratemaking  
14 purposes, and would that -- let me ask you the follow-up  
15 question. Now, would that not be an explanation for why  
16 it doesn't show up in Staff's reconciliation?

17 A. A more common --

18 Q. I want to just ask the witness to answer my  
19 question. I think these are pretty straightforward  
20 questions.

21 MR. REED: He has an answer and it's not  
22 the one that Mr. Boudreau wants, Judge. I think the  
23 witness should be allowed to answer.

24 THE WITNESS: The reason that it's probably  
25 not on the sheet as a figure is the revenue -- the issue



1 of revenue requirement was sort of an afterthought. It  
2 did not come up until OPC did its calculation initially.  
3 I don't know that it lacks the certainty that's present  
4 on other of those issues that are there. I think it was  
5 more -- you know, it's not like those figures that you  
6 showed me are absolutely finite, absolutely good. Mine is  
7 very speculative. I think more of the reason it's not on  
8 that sheet is, it was an issue that was ignored or not  
9 thought about initially and came up as an afterthought.

10 BY MR. BOUDREAU:

11 Q. Would you agree with me on this, that what  
12 we're trying to do or what we're looking at here is the  
13 revenue impact on a circumstance that we really just don't  
14 have in place today? I mean, we don't have a straight  
15 fixed variable rate design, we don't have a seasonal  
16 disconnect tariff in place, so we don't really know, we  
17 don't have a historical basis for it, we don't have a  
18 historical basis, do we, sir, for calculating that the  
19 number of seasonal -- the revenue impact of seasonal  
20 disconnects?

21 A. You have a --

22 Q. Because the company --

23 A. You have an --

24 JUDGE JONES: Let me interrupt you-all  
25 right here. This is going on -- well, first, the

1 objection is overruled. Secondly, Mr. Ensrud, try to  
2 answer the question in as few words as possible, and if  
3 your question is not fleshed out like you would otherwise  
4 have it, it's up to your counsel then to bring that  
5 additional information out.

6 So if you could ask another question,  
7 Mr. Boudreau, then maybe we can -- I thought you-all  
8 agreed on this issue, by the way.

9 MR. BOUDREAU: I'm sorry.

10 JUDGE JONES: Doesn't look like you do, but  
11 go ahead and ask your question.

12 BY MR. BOUDREAU:

13 Q. Let me approach it this way. Do we know,  
14 sitting here today, how many voluntary disconnects there  
15 will be under a straight fixed variable rate design under  
16 any of the customer charges that are being proposed by any  
17 of the parties here today, either the Staff's proposal or  
18 the company's?

19 A. Like all other factors, the future is  
20 unknown.

21 Q. So your answer is no?

22 A. Correct.

23 MR. BOUDREAU: Okay. Thank you. No  
24 further questions for this witness. Thank you.

25 JUDGE JONES: Commissioner Murray?

1 FURTHER QUESTIONS BY COMMISSIONER MURRAY:

2 Q. Mr. Ensrud, regarding the calculation of  
3 voluntary disconnects and the dollars lost over a  
4 seven-month period, is that what you're saying that Staff  
5 would be recommending as an adjustment, a revenue  
6 adjustment?

7 A. Correct. Given the caveats?

8 Q. Yes. That's the answer, yes. Now, my next  
9 question is, is that number based on the amounts of  
10 dollars that were lost during the test year from voluntary  
11 disconnects?

12 A. No.

13 Q. What was the number lost during the test  
14 year from voluntary disconnects?

15 A. You would have to take -- I've not done the  
16 calculation, but the mathematical process would be take  
17 the current customer charge, which I think is 11.65, and  
18 then go back and process that times the number of  
19 customers who fall within the seven-month threshold. I  
20 think that's that 1,600 number that --

21 Q. Okay. Stop there. Then if that's the  
22 case, if there is a number that can be calculated from the  
23 test year, wouldn't that be the appropriate revenue  
24 adjustment?

25 A. Not if the customer charge changes on an

1 ongoing basis.

2 Q. But we're looking at the test year. We're  
3 looking at what would go into rates as a revenue  
4 requirement based on the test year, and if the revenue  
5 requirement includes an amount that they have lost  
6 historically during the test year from seasonal  
7 disconnects, wouldn't that be what you need to adjust?

8 Q. It would reflect the historical rate, but  
9 most calculations are perspective going forward, and if  
10 the new rate is known or is considered to be the 23.48,  
11 that would be the rate to use under traditional ratemaking  
12 period. But if you -- I mean --

13 Q. It's not known and measurable to the extent  
14 that you know how many people will disconnect?

15 A. No.

16 Q. What is known and measurable is --

17 A. Again, you can't -- I do not know exactly  
18 what the future number of disconnects will be in the test  
19 year, but you can't tell with anything how many billing  
20 increments will occur. I can't tell you how many customer  
21 charges will be incurred in the future. I can only base  
22 my calculations on historical -- I mean,  
23 there's -- this element is no more soft than any other  
24 element that you're talking about. If you're dealing with  
25 a traditional customer charge or dealing with a

1 reconnection charge, if I -- if I in the case propose to  
2 double reconnection charge from 25 to \$50, I would take  
3 the number of occurrences in the test year times the new  
4 rate to get the, you know --

5 Q. Let's pursue this just a little bit  
6 further. If we took your -- if we took the historical  
7 test year amount that was lost from seasonal disconnects,  
8 the amount that was lost from seasonal disconnects would  
9 have been less during the test year than would have been  
10 had the new rate design been in place --

11 A. Yes.

12 Q. -- because of the way that it is leveled  
13 out over the years; is that correct?

14 A. That's correct.

15 Q. So I still don't understand why you would  
16 make a calculation without knowing what the actual --  
17 okay. It seems to me you've got a figure that would  
18 otherwise be in revenue requirement, and that's based on  
19 your test year, this \$114,000 of losses from seasonal  
20 disconnects in the prior year, correct? That's in there,  
21 is it not?

22 A. There was no revenue collected from  
23 seasonal disconnects in the test year. Depending upon the  
24 rate and the cutoff point, there will be money in the  
25 future, which will be incremental.

1           Q.       I didn't phrase that question right, and  
2   I -- I'm sorry. I got the numbers mixed up here. There  
3   is a number in the test year based on losses that occurred  
4   from seasonal disconnects during the test year, is there  
5   not?

6           A.       There is an implicit revenue impact by not  
7   collecting the 11 -- the 11.65 times the number of  
8   customers during the test year.

9           Q.       So that was deducted or that would not be  
10   within the number?

11          A.       It was under-realized. It wasn't deducted,  
12   but it was under-realized revenues that potentially could  
13   have been there if a policy had been in place, but the  
14   policy was not in place.

15          Q.       Okay. But that went into determining the  
16   revenue required in setting these rates, did it not? In  
17   other words, it came --

18          A.       It had zero impact.

19          Q.       -- it counted as revenue that was required?

20          A.       Right. Because it didn't have the policy,  
21   it had zero dollar impact in relation to generating  
22   revenues.

23          Q.       Yes, but the company needs that revenue, so  
24   there's actually --

25          A.       But they're not going to get the revenue at

1 the 11.65 level, assuming -- I'll be presumptuous and say,  
2 assume you accept the 23.48. They will get revenues at  
3 the 23.48 times the frequency of occurrence. Nobody knows  
4 what those future occurrences will be, but the best  
5 surrogate, the best way you can look at it is the future  
6 is reflective of the past, and they have chosen this test  
7 year with this number of occurrences. If the rate comes  
8 out -- whatever the rate comes out, you have to apply  
9 times the historical occurrences to project what the  
10 future revenues will be.

11 Q. Okay. But I don't -- this does not make  
12 sense to me what you are saying about that. Because if  
13 there was a loss, 11.65 times however many customers were  
14 disconnected times however many months they were  
15 disconnected in the test year, then that did not go into  
16 calculating the company's revenue during the test year?

17 A. Correct.

18 Q. Okay. Now, you've got a figure for the  
19 company's revenue during the test year and then you've got  
20 a figure for revenue requirement during a rate case years  
21 that the --

22 A. Right.

23 Q. -- rates will be in effect.

24 Now, to go back and try to deduct from that  
25 requirement an amount that will not be lost due to

1 seasonal disconnects, I'm just having trouble seeing how  
2 that makes sense. Maybe there's something very basic that  
3 I'm missing here.

4 Q. Again, if you use the 11.65 figure to  
5 calculate on an ongoing futuristic basis, but you actually  
6 come up with the figure of \$23, the revenue requirement,  
7 the contribution made by implementing this new service is  
8 understated by the difference between the 11.65 and the  
9 new rate.

10 If I only use the old rate, then that's  
11 what the customer should pay, I guess. It should only  
12 be -- because it's supposed to be a reflection of what the  
13 customers will pay on an ongoing and prospective basis and  
14 that is not the 11.65 historical. That is whatever they  
15 determine on an ongoing futuristic basis. And while  
16 there's a myriad of levels that you could choose, the  
17 reason I have chosen the 23.48 rate is that that is what  
18 is consistent with Staff's proposal in this case.

19 Q. Okay. And assume we get the new rate  
20 design and assume that we get the new tariff for seasonal  
21 disconnects. Then can't we -- wouldn't it be logical that  
22 there will not be very many disconnects, and if there are,  
23 you'll get that same \$23 of revenue from that customer  
24 anyway?

25 A. Yeah, that's the assumption.



1 Q. Whether disconnected or not?

2 A. You would get the same -- you would get the  
3 same number of disconnects in the future as you did in the  
4 past, but the money --

5 Q. Why would you get as many as you got in the  
6 past?

7 A. No one has argued suppression. In fact,  
8 when I look at my original discussion of it ought to be  
9 mandatory, one of the arguments that I had initially made  
10 was that there will be people who would go through and  
11 say, please disconnect me under the historical, who would  
12 in the future when you have this exclusionary clause say,  
13 I will use the -- I will go back and not pay the last  
14 month, not pay in March and circumvent the clause.

15 That was an argument that I had made to the  
16 company initially. In conversations when they said, I  
17 don't want to take such draconian method as what you're  
18 talking about, please let us try our methodology, one of  
19 the arguments that the company made was that my concerns  
20 were somewhat ill founded. So part of the basis of me  
21 acquiescing to seven-month voluntary was very persuasive  
22 argument put forth by the company that that concern is  
23 unfounded.

24 It might have -- I mean, I admit that I had  
25 raised the prospect of the numbers being repressed, but

1 they have told me that that, as a reason for not going  
2 forward, the more draconian method, that we will go ahead  
3 and acknowledge there will be very little suppression.

4 COMMISSIONER MURRAY: This is not clearing  
5 anything up for me. I'm hoping in the Briefs, at least,  
6 that we'll get some clarification. Thank you.

7 JUDGE JONES: Any recross from MGE based on  
8 Commissioner Murray's questions?

9 MR. BOUDREAU: No, thank you.

10 JUDGE JONES: Any recross from the Office  
11 of Public Counsel?

12 MR. POSTON: Yes, thank you.

13 RE-CROSS-EXAMINATION BY MR. POSTON:

14 Q. Should the Staff's reconciliation have  
15 reflected the revenue impact for seasonal disconnects?

16 A. It's a source of -- a new source of  
17 revenue, so my estimate, my comment is yes.

18 MR. POSTON: And I'd like to approach the  
19 witness.

20 JUDGE JONES: You may approach the witness.

21 BY MR. POSTON:

22 Q. If you could look at what I handed you,  
23 what did I just hand you?

24 A. DR 127.

25 Q. And could you describe this? What is this?

1 What is this DR?

2 A. It's a DR that I had sent to the company  
3 asking about various aspects of the seven-month disconnect  
4 policy.

5 Q. And does this look like the response that  
6 you received from the company?

7 A. Yes, it does.

8 Q. And --

9 A. Let me -- I've got a copy in my book.

10 Q. And you're familiar with this in responses?

11 A. Somewhat, yes.

12 Q. And I was looking at more towards the  
13 questions G, H and I.

14 A. Right.

15 Q. Did you request revenue impact data from  
16 MGE on seasonal disconnects?

17 A. I did in 127.

18 Q. And what kind of response did you get?

19 A. I got the answers of G, H and I.

20 Q. And what were those answers? Could you  
21 read the question?

22 A. Sure. G, if the rates proposed had been in  
23 place during the test year, list the revenue impact by  
24 customer class. How much revenue would MGE's proposal  
25 generate in total if it had been in place during the test

1 year?

2 Response, MGE did not expect that the  
3 revenue impact would be substantial because it is believed  
4 that the current incidence of seasonal disconnect is  
5 relatively low.

6 H, how many customers would have been  
7 subject to the minimum proposed bill charge during the  
8 test year? List the number of impacted customers by  
9 customer class.

10 MGE does not currently track those  
11 customers.

12 Q. That was the response?

13 A. That was the response. MGE does not  
14 currently track those customers.

15 Question I, if the hypothetical revenue  
16 number generated using the test year activity reconnects  
17 are not representative of what MGE expects in the future  
18 revenues to be, explain why not. Also provide the revenue  
19 amount that MGE assumes would be appropriate -- would be  
20 the appropriate amount. Provide the supporting  
21 documentation of what MGE revenues would generate.

22 Response, MGE is unable to qualify the  
23 revenue number. MGE would be willing to track those  
24 revenues post implementation.

25 Q. Wasn't the response MGE is unable to

1 quantify that revenue? I believe you said qualify.

2 A. Oh, yes. I'm sorry.

3 Q. And you requested information from MGE,  
4 didn't you, about how many disconnects occurred in the  
5 test year?

6 A. By class, yes.

7 Q. And is it your understanding that the  
8 revenue impact that you have calculated, I believe  
9 Commissioner Murray asked you if that was based on test  
10 year, and you said you did not believe it was; is that  
11 correct?

12 A. No. My understanding is the 114,000 is the  
13 people who paid during this period of time. 237, my  
14 understanding, is reflective of the test year.

15 Q. And you had responded to a question about  
16 the Data Requests that muddled the water to you on this  
17 issue of MGE's double recovery in the case of a sublet.  
18 What DR was that?

19 A. That was 261, the one you entered in the  
20 proceeding.

21 Q. Wasn't that 269?

22 A. Oh, excuse me. 269.

23 MR. POSTON: Okay. Thank you. That's all  
24 I have.

25 JUDGE JONES: Any redirect?

1 MR. REED: Yes, thank you.

2 REDIRECT EXAMINATION BY MR. REED:

3 Q. Mr. Ensrud, just a couple of questions. Is  
4 114,000 your best estimate of the revenue that would be  
5 generated?

6 A. Over seven months at the 23.48, correct.

7 Q. At 23.48. Now, just a couple more  
8 questions. If we assume that in the future this provision  
9 has no deterrent effect, right; in other words --

10 A. Yeah. There's no suppression by this.

11 Q. People seasonally disconnect and reconnect  
12 and they're charged, right?

13 A. Correct.

14 Q. They will pay 114,000?

15 A. Correct.

16 Q. Okay. If it does have 100 percent  
17 deterrent effect -- do you understand my question?

18 A. Yes, I do.

19 Q. In other words, no one seasonally  
20 disconnects, would the revenue generated while those  
21 people stay connected be 114,000?

22 A. From that component, yes.

23 Q. And that's your best estimate --

24 A. Right.

25 Q. -- assuming the number 1,684 who engage in

1     this, correct?

2             A.       Correct.

3             MR. REED:  Thank you.

4             JUDGE JONES:  You may step down,

5     Mr. Ensrud.

6             Now we'll have Office of the Public  
7     Counsel.  Do you have an opening statement, Mr. Poston?

8             MR. POSTON:  Very brief.

9             JUDGE JONES:  Go ahead.

10            MR. POSTON:  May it please the Commission?

11     This is another issue like rate design that was also an  
12     issue in the Atmos rate case, and the more we look at it,  
13     the uglier this seems to get.

14            First it forces customers to -- consumers  
15     to pay for a service they did not use.  Second, it fails  
16     to take into account the various reasons a consumer would  
17     need to disconnect their gas service.  And lastly, MGE  
18     does not reduce its revenue requirement by the 140,000 in  
19     additional revenue this would generate.

20            That's our basic problems with this, and I  
21     turn over to or tender our witness Barbara Meisenheimer  
22     for cross-examination.

23            CHAIRMAN DAVIS:  Judge, could you just get  
24     Mr. Poston to restate the first two?  I caught the third  
25     one.

1 JUDGE JONES: Can you restate your -- just  
2 do your whole thing.

3 MR. POSTON: The first problem we had was  
4 it forces consumers to pay for a service they did not use  
5 during the time of the disconnect, and it fails to take  
6 into account the various reasons a consumer would need to  
7 be disconnect from the gas service. I had asked questions  
8 from Mr. Noack about if someone were to need to leave  
9 their home, if they were hospitalized or for military  
10 obligation, and he said there's no -- nothing built in  
11 that would try to protect people that really had a  
12 legitimate reason they would need to disconnect their  
13 service other than trying to avoid payment or bill because  
14 it was too high during the summer.

15 JUDGE JONES: I believe all of your  
16 testimony has been entered into the record and you remain  
17 under oath. Right now we will have recross -- or cross --  
18 I'm sorry -- from the Staff of the Commission.

19 MR. REED: No, thank you.

20 JUDGE JONES: Any cross from Missouri Gas  
21 Energy?

22 MR. BOUDREAU: Yes, just a few questions.

23 JUDGE JONES: Go ahead.

24 BARBARA A. MEISENHEIMER testified as follows:

25 CROSS-EXAMINATION BY MR. BOUDREAU:



1 Q. Hello again, Ms. Meisenheimer.

2 A. Hello.

3 Q. You would agree with me, would you not,  
4 that MGE does not currently have in place an approved  
5 seasonal disconnect tariff?

6 A. Yes, I would agree.

7 Q. Now, in Public Counsel's position  
8 statement, it states that -- that you testified that the  
9 Commission should reject the tariff language. I'll ask  
10 you to accept that. If you want to see it, I'll show you,  
11 but that's what the position says. And my question is,  
12 can you point me to where in your testimony, any of the  
13 prefiled testimony that you filed where you state that?

14 A. I can point you to the three places where I  
15 reference the seasonal disconnect.

16 Q. Well, I know that. Let me read the  
17 statement, and if you want to see the document --

18 A. I didn't prepare the document.

19 MR. BOUDREAU: May I approach the witness,  
20 please?

21 JUDGE JONES: Yes.

22 BY MR. BOUDREAU:

23 Q. Just take a moment and familiarize yourself  
24 with that document, if you would.

25 A. Yes.

1 Q. Have you had a chance to take a look at  
2 that?

3 A. Yes.

4 Q. And have you looked at the page I've  
5 flagged, which I think is where the issue of seasonal  
6 disconnection appears?

7 A. Yes.

8 Q. And you've had a chance to familiarize  
9 yourself with my reference in that document?

10 A. Yes.

11 Q. Okay. And again, I'll ask you that, given  
12 that statement in the statement of position of the Public  
13 Counsel in this case, if you could direct me to the  
14 location or locations in your testimony where you, in  
15 fact, testify to that effect?

16 A. On page 19 of my rebuttal testimony, it  
17 begins with a rather long paragraph regarding describing  
18 some of the concerns that we have about -- on the proposal  
19 and how it makes customers even more captive to a monopoly  
20 utility than they are today, and part of that is the issue  
21 of the seasonal disconnect.

22 Then in the next paragraph, you'll notice  
23 the last line, it's the last line on 19, these proposals  
24 are not customer friendly and should be rejected.

25 Q. Thank you. You and I have talked a couple

1 of times about the Energy Affordability Task Force report.

2 A. Yes.

3 Q. Would you agree with me that one of the  
4 recommendations -- let me just back up a second.

5 As we've gone through this before, I'm  
6 going to replot some ground since we're doing this on an  
7 issue-by-issue basis. The Office of the Public Counsel is  
8 a member of that task force; would you agree with me?

9 A. We did have members of our staff  
10 participate in that process, yes.

11 Q. Let me ask the question again. Was the  
12 Office of the Public Counsel a member of that task force?

13 A. I can't remember whether specifically the  
14 Public Counsel himself at that time was designated as a  
15 member or whether it was just more generally.

16 Q. Would you agree with me that the report  
17 itself states that the Office of Public Counsel was a  
18 member of the task force?

19 A. If I could just look at it to verify. I'm  
20 not disagreeing with it. I'd just like to look at it to  
21 verify.

22 MR. POSTON: Judge, I just have an  
23 objection to relevancy. I don't understand what the  
24 Energy Conservation Task Force has to do seasonal  
25 disconnects.

1 JUDGE JONES: Let's let him ask the  
2 question, let him set his question up first, then we'll  
3 see.

4 THE WITNESS: The task force is composed of  
5 representatives from utility companies and consumer  
6 groups, DNR, I paraphrased that, Committee to Keep  
7 Missourians Warm and the Office of the Public Counsel, so  
8 representatives from.

9 BY MR. BOUDREAU:

10 Q. Okay. You said you were familiar with this  
11 report?

12 A. Actually, I am familiar with portions of  
13 that report because they came up in discussions within our  
14 office.

15 Q. Okay.

16 A. And we talked about that before. If you'd  
17 like, we can talk about it again.

18 Q. No. I was just trying to establish your  
19 general familiarity. Let me ask you this question: Would  
20 you agree with me that one of the recommendations under  
21 the category other recommendations in the report, which is  
22 recommendations that the task force believed the  
23 Commission should consider, is that the Commission examine  
24 seasonal penalty slash reconnection fee slash late payment  
25 charges?

1           A.       I could verify that that text is in there.

2           Q.       It says No. 6, examine seasonal penalty  
3 slash reconnect fee slash late payment charges.

4                   MR. BOUDREAU: For the record, I'm  
5 referring to the final report of the Missouri Public  
6 Service Commission's Cold Weather Rule and Long-Term  
7 Energy Affordability Task Force dated March 1st, 2005,  
8 apparently submitted in Case No. GW-2004-0452, and I'd ask  
9 the Commission to take administration notice.

10                   JUDGE JONES: Okay.

11 BY MR. BOUDREAU:

12           Q.       Just one or two other questions.  
13 Ms. Meisenheimer, did Public Counsel assign any revenue  
14 impact to the issue of the seasonal disconnect tariff in  
15 any of its filings in your testimony or any of the  
16 exhibits to your testimony?

17           A.       No. I could describe where this came  
18 about.

19           Q.       Well, I understand that. I'm just -- my  
20 question is, it didn't show up in your testimony, didn't  
21 show up in your schedules; is that correct?

22           A.       I'd say that's true, yes.

23                   MR. BOUDREAU: Okay. I think that's all  
24 the questions I have for this witness. Thank you.

25                   JUDGE JONES: Any questions from the Bench,

1 Commissioner Murray?

2 COMMISSIONER MURRAY: Maybe one or two.

3 QUESTIONS BY COMMISSIONER MURRAY:

4 Q. Good morning, Ms. Meisenheimer.

5 A. Good morning.

6 Q. You mentioned that you think that the  
7 proposal, or maybe it was your counsel that mentioned that  
8 this proposal is not customer friendly. Is that your  
9 testimony or is that your position?

10 A. My position is that the rate design that  
11 had been proposed by the company and the Staff, they're  
12 not customer friendly, yes.

13 Q. Okay. And I have a question for you about  
14 whether they are friendly to some customers, and it  
15 appears to me that this proposal would be friendly to  
16 those customers who otherwise have to subsidize those  
17 customers that choose not to be connected the entire year  
18 and therefore choose not to pay the entire cost of having  
19 service available to them at all times?

20 A. Recognizing that I would not agree with the  
21 characterization of subsidy, I would agree that customers  
22 that are -- that continue on the system all year long and  
23 are high use customers may pay less under these proposals.

24 Q. Because they don't have to make up for the  
25 losses that are incurred by those who do not stay

1 connected and then do not pay their full cost of service,  
2 doesn't that follow?

3 A. Well, whose cost of service is it is a  
4 question that we regularly in various settings in  
5 telecommunications, gas and electric talk about  
6 allocations and what should be allocated to who, and  
7 that's the reason I have difficulty with the  
8 characterization -- characterization of subsidy.

9 Q. That's all right. You've answered it.  
10 Thank you.

11 COMMISSIONER MURRAY: I think that's all I  
12 have.

13 JUDGE JONES: Mr. Chairman?

14 QUESTIONS BY CHAIRMAN DAVIS:

15 Q. Okay. Ms. Meisenheimer, so you like the  
16 good old tried and true method of volumetric rates; is  
17 that a fair statement?

18 A. In this case, that's what we're supporting,  
19 the method that's traditionally been in place.

20 Q. Okay.

21 A. Which I acknowledge that an increase in the  
22 customer charge to maintain your 55 percent decision in  
23 the last case would be acceptable to our office.

24 Q. Okay. And obviously -- and I may go off  
25 into other issues here besides this, but MGE has -- MGE

1 has put forth evidence that supports, you know, averaging  
2 weather based on 10 years instead of 30 years. They've  
3 put other evidence in the record that says the average  
4 usage per customer is actually declining, you know. How  
5 do you -- how do you account for that? Do you just -- I  
6 mean, do you not believe it, or if it is true, then what  
7 are we as triers of fact to do about that?

8 A. We have not -- it's my understanding that  
9 the Staff is currently at an increase in the revenue  
10 requirement in total, as is the company, and Public  
11 Counsel, I mean, I believe we made adjustments, Ted  
12 Robertson did, but I don't -- I mean, I'm not disputing  
13 that you -- that this company needs a revenue increase in  
14 this case.

15 Q. Okay.

16 A. It's there are issues of how does the  
17 company get that. This company is availing itself of an  
18 opportunity to come and ask for additional revenue when  
19 it's not making as much as it should. So the traditional  
20 process in this sense is working. They're here. They're  
21 asking. And they've provided a number of recommendations,  
22 many of which I haven't provided any testimony about.

23 But the weather normalization, a 55 percent  
24 recovery through the fixed charge, I believe that I  
25 indicated in my testimony that I thought that would result



1 in the highest customer charge for any company in this  
2 state, and that -- or any company that I listed that I was  
3 familiar with in this state, and I think that that is a  
4 step in that direction.

5 I also indicated that Public Counsel's  
6 willing to talk about partial decoupling in exchange for  
7 meaningful conservation programs, but that this rate  
8 design just goes too far. So I even -- it's not that we  
9 would never be willing to do other things. In fact, we  
10 stipulated in the Laclede case to a very nontraditional  
11 rate design, in my opinion, in exchange for a bevy of  
12 programs, and also a specific recognition that the revenue  
13 requirement should be adjusted to reflect lower risk.

14 So in this case, you know, I think that  
15 maybe if you maintain the current rate design, give them  
16 an increase in the customer charge, if you're worried  
17 about additional fixed recovery, and then hope that in the  
18 next case when they come back they will have a wider  
19 variety of conservation programs to choose from and maybe  
20 not full decoupling.

21 Q. Okay. Now, are you familiar with the  
22 history of rate design, how rates evolved?

23 A. I have -- I would say that I am somewhat  
24 familiar with that.

25 Q. Okay. Is it fair to say that rates were

1 originally designed to encourage consumption?

2 A. Yeah, I wouldn't disagree with that.

3 Q. Okay. So not only to make it affordable  
4 for the masses, but also to encourage consumption?

5 A. Yes, to take advantage of economies of  
6 scale.

7 Q. Is it fair to say that when MGE runs a pipe  
8 to someone's house, that the fixed cost of that pipe is  
9 what it is?

10 A. Yes.

11 Q. So should this Commission, do you  
12 believe -- do you believe this Commission would be setting  
13 just and reasonable rates if we were to enter an order  
14 that, you know, theoretically whatever the return on  
15 equity is, but it would be impossible for the company, you  
16 know, to achieve that return on equity based on a number  
17 of factors?

18 A. Based on a number of factors, yes, I would  
19 agree with you.

20 Q. Do you think -- do you think there's any  
21 middle ground between MGE and the Staff position and the  
22 55 percent position?

23 A. There might be, but we did not reach it in  
24 the time before this proceeding.

25 Q. Okay. Now, Ms. Meisenheimer, if we were to

1 have an abnormal -- if the Commission were to adopt Staff  
2 or MGE's rate design and we were to have an abnormally  
3 cold winter, would customers benefit from this rate  
4 design?

5 A. Customers would pay less on average in  
6 terms of what's currently recovered through volumetric  
7 rate, all else equal.

8 Q. Realizing that you're not a trained  
9 meteorologist, in the course of your work, do you look at  
10 weather patterns, Ms. Meisenheimer?

11 A. There have been instances where I have  
12 utilized NOAH information. I do not work with it  
13 regularly.

14 Q. Okay.

15 A. I do not analyze weather patterns  
16 regularly.

17 Q. Right. But you have in the past as it  
18 relates to rates; is that a fair statement?

19 A. There have been instances. I'd say very  
20 limited.

21 Q. There have been very limited. Based on  
22 your knowledge, do you think it's getting warmer, just in  
23 general?

24 A. I would say that I don't know. I have read  
25 material arguing both issues, that it is in fact getting

1 warmer and others that it is getting warmer at an  
2 extremely low rate. I think my best answer is, with my  
3 limited knowledge, is I don't know.

4 Q. You don't know.

5 CHAIRMAN DAVIS: All right. Thank you,  
6 Ms. Meisenheimer. No further questions.

7 JUDGE JONES: Commissioner Appling?

8 COMMISSIONER APPLING: I think I got  
9 everything I needed from her yesterday.

10 JUDGE JONES: Any recross from -- let's  
11 start with Staff.

12 MR. REED: No, thank you.

13 JUDGE JONES: Any recross from MGE?

14 MR. BOUDREAU: Just one or two questions.  
15 Literally one or two.

16 RE-CROSS-EXAMINATION BY MR. BOUDREAU:

17 Q. You mentioned Public Counsel agreed to some  
18 sort of alternative rate design proposal for Laclede Gas  
19 Company. Do you recall that testimony?

20 A. Yes.

21 Q. My question to you, you're aware that  
22 Laclede Gas Company has just recently filed another rate  
23 case, isn't that so?

24 A. Yes.

25 Q. Next question, and I think it's my final

1 one, can we agree at least this far: Agreeing that how  
2 you determine what a cost is, as you've pointed out,  
3 sometimes is in the eye of the beholder, but can we agree  
4 that a customer should be expected to cover his or her  
5 fixed or non-gas cost of service?

6 A. I can agree to that to the extent the  
7 customer is receiving service from the company.

8 Q. Fair enough.

9 MR. BOUDREAU: Thank you. That's all the  
10 questions I have for this witness.

11 JUDGE JONES: Redirect, Mr. Poston?

12 MR. POSTON: Yes. Thank you.

13 REDIRECT EXAMINATION BY MR. POSTON:

14 Q. Mr. Boudreau asked you questions about the  
15 energy task force report. Does that report reflect the  
16 position of the Public Counsel?

17 A. It represents members -- or representatives  
18 that were on or that signed off on that task force report  
19 before it was finalized. There is obviously a different  
20 Public Counsel now, I believe, than -- or at least my  
21 memory of when that task force report was in its final  
22 stages.

23 Q. Do you know who the Public Counsel's  
24 representative was?

25 A. I actually attended some of the early

1 meetings of that task force. Duties within the office  
2 shifted my work to other areas, and Ruth O'Neill took over  
3 that role.

4 Q. Is she with the Public Counsel?

5 A. She was with Public Counsel at the time as  
6 an attorney.

7 Q. Is she with Public Counsel now?

8 A. She is not with Public Counsel now.

9 Q. Mr. Boudreau had you read in -- or I don't  
10 know if you read it or agreed to a statement in there  
11 about a proposal to examine seasonal disconnects; is that  
12 correct?

13 A. Yes.

14 Q. Have you examined the seasonal disconnects  
15 in this case?

16 A. I have examined the seasonal disconnects in  
17 this case, and we have found evidence that they can have a  
18 negative impact on some consumers.

19 Q. And he asked you whether Public Counsel  
20 testified on the seasonal disconnect revenue requirement,  
21 I believe, is that -- what was your response?

22 A. My -- I -- I was trying to explain that the  
23 information regarding the seasonal disconnects that I  
24 found and later did a calculation, which is the basis I  
25 think of many of the numbers that you've heard flying

1 around today, came when I was reviewing Data Requests that  
2 the Staff had sent. I would have liked to have reviewed  
3 those sooner in the case, and certainly had I found the  
4 response in time for rounds of testimony, I would have  
5 suggested that our office and I would have likely myself  
6 written some testimony demonstrating what those  
7 calculations were, and I think it is certainly a revenue  
8 issue.

9 Q. And do you agree with the numbers that have  
10 been floating around about what that revenue impact is?

11 A. I'd say that I generally agree with those  
12 numbers based on the data that was provided by the  
13 company. My numbers for -- the company's original  
14 proposal was a rate of 27.50 as the straight fixed  
15 variable, and I came up with a number about \$134,000,  
16 which isn't substantially different than Mr. Noack, and he  
17 may have factored in a few additional considerations. So  
18 I wouldn't -- if he wants to say 140,000, I'm good with  
19 that number. I would settle for 134,000.

20 The Staff members at about 114,000 are  
21 consistent with my numbers. I got 114,447. And then I  
22 had done some additional calculations for the company's  
23 alternative rate design proposal, which was a \$15.50  
24 customer charge for residential class, and using that for  
25 seven months I would have come up with about \$75,550. So

1 I would just supplement that number.

2 Q. Chairman Davis asked you about the historic  
3 reasons that traditional rate design was designed. I  
4 believe you mentioned to encourage consumption.

5 A. Yes.

6 Q. What rate design before the Commission in  
7 this case do you believe would encourage conservation?

8 A. I believe that the traditional rate design  
9 more than the delivery charge proposal encourages  
10 conservation by customers. There are two components.  
11 Both are not certainly customers -- commodity, the  
12 commodity rate I -- I believe is something that affects  
13 customers, but also customers' payment of the fixed  
14 component or, I'm sorry, non-gas cost through a fixed  
15 component and a volumetric rate has an impact because the  
16 volumes increase, customers pay more in a non-volumetric  
17 rate.

18 MR. POSTON: Thank you. That's all.

19 JUDGE JONES: Thank you, Ms. Meisenheimer.  
20 You may step down.

21 THE WITNESS: Thank you.

22 JUDGE JONES: We need to stop at 11. I  
23 don't think we'll be able to finish this last issue in a  
24 minute and a half, probably not in two hours the way  
25 things have been going. So in light of that, we're going



1 to reconvene next Wednesday and take up the Infinium  
2 software. We will also at that time then discuss the  
3 Kansas property tax AAO and admit all the testimony that  
4 hasn't been admitted in light of settlement and whatnot.

5 MR. POSTON: Is Ms. Meisenheimer excused?

6 MR. POSTON: Yes, she is.

7 MR. POSTON: Thank you.

8 WHEREUPON, the hearing of this case was  
9 recessed until January 17, 2007.

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