

Exhibit No.:

Issue(s):

Witness:

Type of Exhibit:

Sponsoring Party:

Case Number:

Date Testimony Prepared:

Rate Design
Barb Meisenheimer
Direct
Public Counsel
GR-2008-0060
February 1, 2008

DIRECT TESTIMONY

OF

BARBARA A. MEISENHEIMER

Submitted on Behalf of
the Office of the Public Counsel

Missouri Gas Utility, Inc.

Case No. GR-2008-0060

February 1, 2008

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

In the Matter of a General Rate Increase)
for Natural Gas Service Provided by)
Missouri Gas Utility, Inc.)

Case No. GR-2008-0060

AFFIDAVIT OF BARBARA A. MEISENHEIMER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Barbara A. Meisenheimer, of lawful age and being first duly sworn, deposes and states:

1. My name is Barbara A. Meisenheimer. I am Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

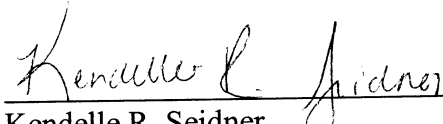


Barbara A. Meisenheimer

Subscribed and sworn to me this 1st day of February 2008.



KENDELLE R. SEIDNER
My Commission Expires
February 4, 2011
Cole County
Commission #07004782



Kendelle R. Seidner
Notary Public

My Commission expires February 4, 2011.

**DIRECT TESTIMONY
OF
BARBARA A. MEISENHEIMER**

MISSOURI GAS UTILITY

(RATE DESIGN)

CASE NO. GR-2008-0060

Introduction and Summary

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel (OPC or Public Counsel), P. O. Box 2230, Jefferson City, Missouri 65102. I am also employed as an adjunct Economics and Statistics Instructor for William Woods University.

Q. HAVE YOU TESTIFIED PREVIOUSLY IN THIS CASE?

A. Yes. I filed direct testimony on revenue requirement issues on January 25, 2008.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. In this testimony I will present Public Counsel's recommendations regarding rate design.

1 **Q. WHAT IS THE RELATIVE IMPORTANCE OF DETERMINING COST BY CUSTOMER**
2 **CLASS FOR PURPOSES OF SETTING RATES?**

3 A. Identifying cost by customer class provides the Commission with a general guide
4 for just and reasonable service rates based on costs. Other relevant factors must
5 also be considered when setting rates, such as the value of a service, the
6 affordability of service, the rate impact, and rate continuity, to highlight a few. In
7 the rate making decision process the Commission must on a case by case basis
8 balance the results of a cost of service study with these other relevant factors.

9 **Q. DID MGU PREPARE A STUDY IDENTIFYING COST BY CUSTOMER CLASS IN THIS**
10 **CASE?**

11 A. No. MGU did not prepare a class cost of service (CCOS) study for this case.

12 **Q. DID PUBLIC COUNSEL PREPARE A CCOS STUDY IN THIS CASE?**

13 A. No. To prepare a CCOS study, Public Counsel usually relies on portions of the
14 information compiled by a company preparing its own CCOS study or
15 information presented in previous rate cases. As I previously indicated, the
16 Company did not prepare a CCOS study for this case and since the MGU system
17 was previously served by the municipalities of Hamilton and Gallatin, no previous
18 rate case information was available.

1 **Q. DO YOU RECOMMEND POSTPONING ANY SIGNIFICANT SHIFTS IN CLASS REVENUE**
2 **RESPONSIBILITY UNTIL A RELIABLE CCOS STUDY CAN BE CONDUCTED?**

3 A. Yes. The Company states that it is not philosophically opposed to preparing a
4 CCOS but did not do so for this case citing the low level of current subscription
5 on the system. Without class cost of service information it is difficult to evaluate
6 if any changes in the relative class revenue responsibility are reasonable.
7 Therefore, I believe that it would be appropriate to maintain the status quo
8 regarding class revenue responsibility until the Company can demonstrate that
9 class shifts are warranted.

10 **Q. HOW DO YOU PROPOSE TO ALLOCATE ANY CHANGE IN REVENUE REQUIREMENT**
11 **APPROVED IN THIS CASE TO THE CUSTOMER CLASSES?**

12 A. To maintain the status quo I recommend that any change in total company
13 revenue requirement be implemented as an equal percentage change to the current
14 revenues of each class.

15 **Q. HOW DO YOU PROPOSE TO ASSIGN ANY CHANGE IN CLASS REVENUE**
16 **REQUIREMENT TO THE RATES CHARGED TO THE GENERAL SERVICE AND**
17 **COMMERCIAL CLASSES?**

18 A. I recommend that any change in General Service and Commercial revenue
19 requirements be implemented as an equal percentage change in the rate elements
20 applicable to the class.

1 **Q. HOW DO THE INTER-CLASS CUSTOMER IMPACTS OF YOUR PROPOSAL COMPARE**
2 **TO THOSE UNDER THE COMPANY’S PROPOSAL?**

3 A. The Company’s proposal results in large variation in the relative increases faced
4 by different customer classes. For example, under the Company’s proposal class
5 impacts range from the lowest increase of approximately 31% for the
6 Transportation Class to the highest increase of approximately 107% for the
7 Commercial Class. Under my proposal, collecting the same total revenue
8 requirement would result in a uniform 72% increase to all customer classes. It is
9 important to note that the previous example is for comparative purposes only.
10 Public Counsel does not support the Company’s proposed revenue requirement.

11 **Q. HOW DO THE INTRA-CLASS CUSTOMER IMPACTS OF YOUR PROPOSAL COMPARE**
12 **TO THE IMPACTS OF THE COMPANY’S?**

13 A. Again, the Company’s proposal results in a large variation. In this case, under the
14 Company’s proposal the variation in revenue generated by particular rate
15 elements range from the lowest increase of approximately 30% for the
16 Transportation Class commodity charge to the highest increase of approximately
17 109% for the Commercial Class commodity charge. Under my proposal,
18 collecting the same total revenue requirement would result in a uniform 72%
19 increase to all General Service Class and Commercial Class rate elements.

20 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 A. Yes.