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Issues: Class Cost-of-Service
Rate Design
Witness: Thomas M. Imhoff
Sponsoring Party: MO PSC Staff
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Case No.: GR-2009-0355
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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

THOMAS M. IMHOFF

MISSOURI GAS ENERGY

CASE NO. GR-2009-0355

**Jefferson City, Missouri
September 2009**

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DIRECT TESTIMONY
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THOMAS M. IMHOFF
MISSOURI GAS ENERGY
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Q. Please state your name and business address.

A. Thomas M. Imhoff, P.O. Box 360, Jefferson City, Missouri 65102.

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

A. I am the Rate & Tariff Examination Supervisor in the Energy Department of the Missouri Public Service Commission (Commission).

Q. Please describe your educational background.

A. I attended Southwest Missouri State University at Springfield, Missouri. In May 1981, I received a Bachelor of Science degree in Business Administration, with a major in Accounting. In May 1987, I successfully completed the Uniform Certified Public Accountant (CPA) examination and subsequently received the CPA certificate. I am currently licensed as a CPA in the State of Missouri.

Q. What has been the nature of your duties with the Commission?

A. From October 1981 to December 1997, I worked in the Accounting Department of the Commission, where my duties consisted of directing and assisting with various audits and examinations of the books and records of public utilities operating within the State of Missouri under the jurisdiction of the Commission. On January 5, 1998, I assumed the position of Regulatory Auditor IV in the Gas Tariffs/Rate Design Department, where my duties consisted of analyzing applications, reviewing tariffs and

1 making recommendations based upon those evaluations. On August 9, 2001, I assumed
2 my current position of Rate & Tariff Examination Supervisor in the Energy Tariffs/Rate
3 Design Department, where my duties consist of directing Commission Staff within the
4 Department, analyzing applications, reviewing tariffs, and making recommendations
5 based upon my evaluations and the evaluations performed by the Energy Tariffs/Rate
6 Design Staff.

7 Q. Have you previously filed testimony before this Commission?

8 A. Yes. A list of cases in which I have filed testimony before this
9 Commission is attached as Schedule 1.

10 Q. With reference to Case No. GR-2009-0355, have you participated in the
11 Commission Staff's (Staff) audit of Missouri Gas Energy (MGE or Company) concerning
12 its request for a rate increase in this proceeding?

13 A. Yes, I have, with the assistance of other members of the Staff.

14 **EXECUTIVE SUMMARY**

15 Q. What is the purpose of your direct testimony?

16 A. The purpose of my direct testimony is to provide an overview of the
17 Commission Staff's (Staff) position relating to MGE's class cost-of-service (CCOS), rate
18 design, miscellaneous tariff issues and capacity release, energy efficiency programs and
19 off-system sales. I have attached Staff's report to my testimony. It describes in greater
20 detail, the Staff's position relating to these issues and was prepared by various Staff
21 members under my direction. The "report" approach to the case filing is intended to
22 minimize the number of Staff witnesses required to file direct testimony and provides for

1 a clearer presentation of the Staff's CCOS, rate design, miscellaneous tariff issues,
2 energy efficiency programs and the capacity release and off-system sales.

3 **CLASS COST-OF-SERVICE**

4 Q. What is the purpose of Staff's CCOS testimony?

5 A. The purpose of Staff's CCOS recommendation is to provide the
6 Commission with a measure of relative class cost responsibility for the overall revenue
7 requirements of MGE.

8 Q. What is CCOS?

9 A. MGE's rates are set, based on the cost of providing service to its
10 customers and the opportunity to earn a return. Staff's CCOS study determines how
11 MGE's cost-of-service should be divided among MGE's customers. Customers are
12 grouped by similar characteristics such as Residential, Small General Service, Large
13 General Service, Large Volume and Transportation for the purpose of setting a common
14 rate for that class. Staff considers which class is responsible for individual items of cost,
15 and assigns that cost to the class by either direct assignment or allocation using
16 reasonable methods for determining the class responsibility for that item of cost.

17 Staff then summarizes its results and compares those results to MGE's revenues
18 being collected from each class based on current rates. The difference between a
19 particular customer class' costs responsibility and the revenues generated by that
20 customer class is the amount that class is either subsidizing (revenues greater than costs)
21 the other classes or being subsidized (revenues less than costs).

22 Q. What is the Staff's recommendation on CCOS?

1 A. The Staff is recommending no revenue shifts in revenue responsibility
2 between these classes.

3 **RATE DESIGN**

4 Q. What is rate design?

5 A. Rate design is the assignment of rates to each customer class and is based
6 from the Staff's CCOS study and other relevant factors to this case.

7 Q. What is Staff's position relating to the rate design issue?

8 A. Staff is proposing to maintain the Straight Fixed Variable (SFV) rate for
9 the Residential class and proposing to implement the SFV for the Small General Services
10 (SGS) class. The composition of the SGS class is non-residential customers who use less
11 than 5,000 Cubic Hundred Feet (Ccfs) per year. The SFV collects all non-gas costs in a
12 flat, fixed monthly/delivery charge. The charge is the same for all residential customers
13 and all SGS customers in their respective classes. Staff is recommending conservation
14 measures that are to be used in concert with the SFV rate design proposal as outlined in
15 the Staff report.

16 Staff recommends that each component of MGE's Large General Service, Large
17 Volume Service and Transportation Service non-gas tariffed rates increase by the same
18 percentage as MGE's non-gas revenue requirement percentage increase. Staff is not
19 proposing the SFV rate design for these customer classes.

20 **MISCELLANEOUS TARIFF ISSUES**

21 Q. What is the Staff position on MGE's proposed changes to its
22 miscellaneous tariff rates?

1 A. Staff is proposing increases to MGE's rates for the collection and
2 disconnection charge, transfer charge, reconnect charge and new connection charges.
3 The cost to MGE to provide these services has increased and the customer causing these
4 costs should pay for the services.

5 Q. Are there any non-rate changes to MGE's tariff?

6 A. Yes. MGE proposed to eliminate the term "experimental" relating to the
7 school transportation tariff, and Staff agrees with that proposal.

8 Staff also supports elimination of MGE's experimental low income rate tariff
9 language due to a Commission order in Case No. GR-2004-0209 setting a sunset date of
10 July 31, 2006 for the program.

11 Further, Staff supports MGE's proposed changes to its transportation tariff. The
12 proposed tariff changes shift gas costs to the customer causing the cost. These proposed
13 changes clarify what responsibilities fall to transport customers, to MGE and to MGE's
14 firm customers.

15 Q. Does Staff have any more proposals?

16 A. Yes. Staff currently has a complaint filed against MGE relating to its
17 current liability tariff language. Staff proposes that MGE's liability tariff should be
18 changed to be similar to what Laclede Gas Company's (Laclede's) liability tariff will be
19 at the conclusion of Laclede's liability tariff case, Case No. GT-2009-0056. This case is
20 slated for hearings in early October.

21 **ENERGY EFFICIENCY PROGRAMS**

22 Q. What is Staff's position relating to MGE's energy efficiency programs?

1 A. Staff supports the continued use of the energy efficiency programs MGE
2 currently has in effect and expanding these programs to the Small General Service class.

3 **CAPACITY RELEASE & OFF-SYSTEM SALES**

4 Q. What is Staff's position relating to capacity release and off-system sales?

5 A. MGE's customers pay for all contracted capacity and all natural gas,
6 however, as an incentive for MGE to maximize its capacity release and off-system sales,
7 the Commission authorized MGE to keep a percentage, or share, of the profits from off-
8 system sales and capacity release credits. Staff proposes maintaining the capacity release
9 and off-system sales sharing percentages, but updating the tiers within the sharing grid to
10 reflect increases in activity.

11 Q. Please identify the Staff witness responsible for addressing each area in
12 the Report.

13 A. The Staff witness for each listed issue is as follows:

<u>Issue</u>	<u>Staff Witness</u>
Class Cost-of-Service	Thomas A. Solt
Allocations	Daniel I. Beck
Rate Design	Anne E. Ross
Peak Calculation & Energy Efficiency	Henry E. Warren
Miscellaneous Tariff Issues	Michael J. Ensrud
Capacity Release & Off-system Sales	Anne M. Allee

21 Q. Does this conclude your direct testimony?

22 A. Yes it does.

MISSOURI GAS ENERGY
CASE NO. GR-2009-0355

Summary of Cases in which prepared testimony was presented by:
THOMAS M. IMHOFF

<u>Company Name</u>	<u>Case No.</u>
Terre-Du-Lac Utilities	SR-82-69
Terre-Du-Lac Utilities	WR-82-70
Bowling Green Gas Company	GR-82-104
Atlas Mobilfone Inc.	TR-82-123
Missouri Edison Company	GR-82-197
Missouri Edison Company	ER-82-198
Great River Gas Company	GR-82-235
Citizens Electric Company	ER-83-61
General Telephone Company of the Midwest	TR-83-164
Missouri Telephone Company	TR-83-334
Mobilpage Inc.	TR-83-350
Union Electric Company	ER-84-168
Missouri-American Water Company	WR-85-16
Great River Gas Company	GR-85-136
Grand River Mutual Telephone Company	TR-85-242
ALLTEL Missouri, Inc.	TR-86-14
Continental Telephone Company	TR-86-55
General Telephone Company of the Midwest	TC-87-57
St. Joseph Light & Power Company	GR-88-115
St. Joseph Light & Power Company	HR-88-116
Camelot Utilities, Inc.	WA-89-1
GTE North Incorporated	TR-89-182
The Empire District Electric Company	ER-90-138
Capital Utilities, Inc.	SA-90-224
St. Joseph Light & Power Company	EA-90-252
Kansas City Power & Light Company	EA-90-252
Sho-Me Power Corporation	ER-91-298
St. Joseph Light & Power Company	EC-92-214
St. Joseph Light & Power Company	ER-93-41
St. Joseph Light & Power Company	GR-93-42
Citizens Telephone Company	TR-93-268
The Empire District Electric Company	ER-94-174
Missouri-American Water Company	WR-95-205
Missouri-American Water Company	SR-95-206
Union Electric Company	EM-96-149
The Empire District Electric Company	ER-97-81
Missouri Gas Energy	GR-98-140
Laclede Gas Company	GR-98-374
Laclede Gas Company	GR-99-315
Atmos Energy Corporation	GM-2000-312
Ameren UE	GR-2000-512
Missouri Gas Energy	GR-2001-292
Laclede Gas Company	GT-2001-329

Laclede Gas Company	GR-2001-629
Missouri Gas Energy	GT-2003-0033
Aquila Networks – L&P	GT-2003-0038
Aquila Networks – MPS	GT-2003-0039
Southern Missouri Gas Company, L.P.	GT-2003-0031
Fidelity Natural Gas, Inc.	GT-2003-0036
Atmos Energy Corporation	GT-2003-0037
Laclede Gas Company	GT-2003-0032
Union Electric Company d/b/a Ameren UE	GT-2003-0034
Laclede Gas Company	GT-2003-0117
Aquila Networks MPS & L&P	GR-2004-0072
Missouri Gas Energy	GR-2004-0209
Missouri Pipeline Company & Missouri Gas Company	GC-2006-0491
Atmos Energy Corporation	GR-2006-0387
Laclede Gas Company	GR-2007-0208
Missouri Gas Utility Company	GR-2008-0060
TriGen-Kansas City Energy Group	HR-2008-0300
Laclede Gas Company	GT-2009-0056