

Exhibit No.:
Issues: Rate Design
Witness: Thomas M. Imhoff
Sponsoring Party: MO PSC Staff
Type of Exhibit: Direct Testimony
Case No.: GR-2007-0208
Date Testimony Prepared: May 18, 2007

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

THOMAS M. IMHOFF

LACLEDE GAS COMPANY

CASE NO. GR-2007-0208

**Jefferson City, Missouri
May 2007**

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

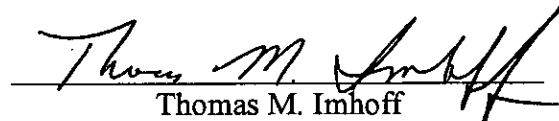
In the Matter of Laclede Gas Company's)
Tariff to Revise Natural Gas Rate)
Schedules)

Case No. GR-2007-0208

AFFIDAVIT OF THOMAS M. IMHOFF

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Thomas M. Imhoff, of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 7 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.


Thomas M. Imhoff

Subscribed and sworn to before me this 17th day of May, 2007.



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086


Notary Public

My commission expires 9-21-10

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OF

THOMAS M. IMHOFF

LACLEDE GAS COMPANY

CASE NO. GR-2007-0208

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DIRECT TESTIMONY
OF
THOMAS IMHOFF
LACLEDE GAS COMPANY
CASE NO. GR-2007-0208

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, from which I received a Bachelor of Science degree in Business Administration, with a major in Accounting, in May 1981. 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 of 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 consist of analyzing applications, reviewing tariffs and making recommendations based upon those evaluations. On August 9, 2001, I assumed my current position of Rate & Tariff Examination Supervisor in the Energy Tariffs/Rate Design

Direct Testimony of
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1 Department, where my duties consist of directing Commission Staff within the Department,
2 analyzing applications, reviewing tariffs, and making recommendations based upon my
3 evaluations and the evaluations performed by Staff within the Department.

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

5 A. Yes. A list of cases in which I have filed testimony before this Commission is
6 attached as Schedule 1 to my direct testimony.

7 Q. With reference to Case No. GR-2007-0208, have you made an examination
8 and study of the material filed by Laclede Gas Company (Laclede or Company) relating to its
9 proposed increase in gas rates?

10 A. Yes, I have.

11 **EXECUTIVE SUMMARY**

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

13 A. The purpose of my direct testimony is to present the Commission Staff's
14 (Staff) position relating to class cost-of-service (CCOS) for Laclede. The CCOS reflects the
15 Staff's position on class cost responsibility and is described further in my testimony. The
16 results of Staff's CCOS are reflected in Schedule 2.

17 **CLASS COST OF SERVICE**

18 Q. What customer classes are used in Staff's CCOS studies?

19 A. The customer classes used in these studies are as follows:

20 Residential
21 Commercial and Industrial (C&I) I
22 C&I II
23 C&I III
24 Large Volume Service
25 Firm Transport
26 Basic Transport
27 Interruptible

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

2 A. The purpose of Staff's CCOS is to provide the Commission with a measure of
3 relative class cost responsibility for the overall revenue requirements of Laclede. For
4 individual items of cost, the responsibility of a certain class of customers to pay that cost can
5 be either directly assigned or allocated to customer classes using reasonable methods for
6 determining the class responsibility for that item of cost. The results are then summarized so
7 that they can be compared to revenues being collected from each class on current rates. The
8 difference between a particular customer class' costs responsibility and the revenues
9 generated by that customer class is the amount that class is either subsidizing (revenues
10 greater than costs) the other classes are being subsidized (revenues less than costs).

11 Q. How were the usage levels and class peak demand levels used in your CCOS
12 study developed?

13 A. The annualized usage levels and customer bill counts for the Residential, C&I
14 I, C&I II and C&I III sales classes were provided by Staff Auditing witness Kim Bolin and
15 will be addressed in her direct testimony. The annual usage levels and customer bill counts
16 for Large Volume, Basic Transport, Firm Transport and Interruptible customers were
17 developed by Staff witness Anne Ross of the Energy department and will be addressed in her
18 direct testimony. The class peak demand levels were developed using the usage levels and
19 bill counts discussed above together with the per customer peak demands developed by Staff
20 witness Dr. Henry Warren of the Energy Department and the load factors developed by the
21 Company for the large customers.

22 Q. What is the source of accounting information used in your CCOS studies?

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1 A. The accounting information was developed using costs produced by the
2 Auditing Department, which are based on a test year ending September 30, 2006, updated for
3 known and measurable changes through March 31, 2007. The Auditing Department updated
4 its filed case, so I used this updated information in determining Staff's CCOS.

5 Q. Please describe how you categorized the individual items of cost in the Staff's
6 CCOS studies.

7 A. First the costs are categorized into functional areas that are to be allocated in
8 the same way. This is referred to as cost functionalization. The rate base and expense
9 accounts are assigned to one of the following functional categories:

10 Transmission
11 Storage
12 Purchased Gas
13 Distribution Mains
14 Distribution Measuring and Regulating
15 Distribution Meters
16 Distribution Regulators
17 Distribution Services
18 Customer Service
19 Billing
20 Meter Reading
21 Revenue Related

22
23 Those costs, which cannot directly be assigned to any of these specific functional
24 categories, are divided among several functions based upon some relational factor. For
25 example, it is reasonable to assume that property taxes are related to gross plant costs and can
26 therefore be funtionalized in the same manner as gross plant costs.

27 Q. How were Transmission costs allocated to each class?

28 A. Transmission costs were allocated using the Capacity Utilization allocator
29 which was developed by Staff witness Daniel I. Beck.

30 Q. How were Storage costs allocated?

1 A. Natural Gas storage is primarily used in winter months; therefore, storage
2 costs were allocated to all sales customers (excluding transportation customers), in other
3 words, customers who buy their gas from Laclede, using sales volumes from the months of
4 November through April.

5 Q. How were Purchased Gas costs allocated?

6 A. Even though purchased gas costs are not part of this rate proceeding, there is a
7 certain level of purchased gas costs included as a component of cash working capital. These
8 costs were allocated between the CCOS classes using gas sales volumes.

9 Q. How were the costs of Distribution Mains allocated?

10 A. The allocation factor for Distribution Mains was developed by using the
11 capacity utilization factor which is described in the testimony of Staff witness Daniel I. Beck.

12 Q. How were the costs of Distribution Meters and Distribution Regulators
13 allocated?

14 A. The allocation factors for Distribution Meters and Distribution Regulators
15 were developed by applying the cost estimates supplied to Staff from Laclede and sponsored
16 by Staff witness Daniel I. Beck. These allocation factors take into account the difference in
17 cost responsibility for each of the CCOS classes.

18 Q. How were the costs of Distribution Service Lines allocated?

19 A. These costs were developed by applying the cost estimates supplied to Staff
20 from Laclede and sponsored by Staff witness Daniel I. Beck. Service line costs were
21 allocated using the same methodology used for the Distribution Meters and Distribution
22 Regulators.

1 Q. How were costs associated with Distribution Measuring and Regulating
2 allocated?

3 A. This type of cost is associated with equipment used to measure and regulate
4 natural gas before it reaches individual customers' service lines, so these costs were allocated
5 using annualized Ccf volumes for each class.

6 Q. How were Customer Service costs allocated?

7 A. These costs are associated with the number of customers being served;
8 therefore, they were allocated using the number of annual bills for each customer class using
9 the weighting methodology described in Staff witness Beck's testimony.

10 Q. How were the costs of the Customer Billing function allocated?

11 A. These costs were allocated by the number of annual bills together with the
12 same weighting methodology as described above for each customer class.

13 Q. How were Meter Reading costs allocated?

14 A. These costs were allocated by using the weighted customer numbers. The
15 weighted numbers used reflect Staff's methodology of calculating customer numbers.

16 Q. How were the Revenue Related costs allocated?

17 A. These costs were allocated using Staff's annualized margin revenues.

18 Q. What are the results of your CCOS studies?

19 A. The results for Laclede are shown on Schedule 2. The CCOS is presented in
20 terms of class revenue requirements before any increase in the Company's respective revenue
21 requirements.

22 Q. How have you compared the CCOS study results to current revenues?

1 A. Revenue requirement is a major component in this case and the Commission
2 must have a recommendation about class revenue requirements that it can apply to any
3 increase in revenue requirement that is ultimately decided. In order to make such a
4 recommendation, I have factored the Staff's CCOS to be equal to the revenue level collected
5 from current rates. The same factor was applied to the allocated costs for each class (i.e.,
6 each class' costs were decreased by an equal percentage). When subtracting the results from
7 current revenues, a revenue deficiency (-) or revenue surplus (+) for each class is reflected.

8 Q. What is the impact of your CCOS study on the various customer classes?

9 A. The CCOS study shows that revenues should be collected differently than the
10 way in which revenues are collected under current rates. Please note that the miscellaneous
11 revenues will include proposed changes in some of the miscellaneous charges as described in
12 the testimony of Staff witness Michael J. Ensrud of the Energy Department.

13 Q. Does this conclude your direct testimony?

14 A. Yes it does.

LACLEDE GAS COMPANY
CASE NO. GR-2007-0208

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

CLASS COST-OF-SERVICE SUMMARY
LACLEDE GAS COMPANY
CASE NO. GR-2007-0208
TEST YEAR ENDED September 30, 2006, UPDATED THROUGH MARCH 31, 2007

	TOTAL	RESIDENTIAL	GENERAL SERVICE CLASS 1	GENERAL SERVICE CLASS 2	GENERAL SERVICE CLASS 3	LARGE VOLUME	FIRM TRANSPORT	BASIC TRANSPORT	INTERRUPTIBLE SALES
RATE BASE	\$660,053,000	\$529,076,935	\$44,791,766	\$34,790,502	\$15,750,844	\$7,005,583	\$14,205,658	\$13,075,206	\$1,356,506
REQUESTED RETURN	7.78%	7.78%	7.78%	7.78%	7.78%	7.78%	7.78%	7.78%	7.78%
RETURN ON RATE BASE	\$51,352,123	\$41,162,186	\$3,484,799	\$2,706,701	\$1,225,416	\$545,034	\$1,105,200	\$1,017,251	\$105,536
O & M EXPENSES	\$149,053,156	\$125,485,769	\$8,222,106	\$5,803,033	\$3,832,344	\$1,331,016	\$1,884,527	\$2,251,553	\$242,807
DEPRECIATION EXPENSE	\$30,814,049	\$25,359,394	\$2,092,610	\$1,399,017	\$562,406	\$267,389	\$530,614	\$552,939	\$49,680
AMORTIZATION EXPENSE	\$3,425,000	\$2,830,541	\$208,840	\$151,435	\$82,537	\$32,238	\$55,426	\$57,965	\$6,020
EXPLORATION/DEVELOPMENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LACLEDE PIPELINE/OTHER	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TAXES OTHER THAN INCOME	\$18,240,000	\$14,464,172	\$1,325,656	\$1,015,199	\$394,268	\$189,617	\$450,123	\$364,247	\$36,717
INCOME TAXES	\$12,443,000	\$9,973,903	\$844,393	\$655,854	\$296,927	\$132,066	\$267,798	\$246,487	\$25,572
TOTAL EXPENSES	\$213,975,205	\$178,113,778	\$12,693,606	\$9,024,537	\$5,168,482	\$1,952,326	\$3,188,488	\$3,473,192	\$360,796
TOTAL C-O-S	\$265,327,329	\$219,275,964	\$16,178,405	\$11,731,239	\$6,393,898	\$2,497,360	\$4,293,688	\$4,490,443	\$466,332
	\$201,532,205								
C-O-S INCLUDING TRUE-UP	\$265,327,329	\$219,275,964	\$16,178,405	\$11,731,239	\$6,393,898	\$2,497,360	\$4,293,688	\$4,490,443	\$466,332
OTHER REVENUES	\$6,857,000	\$6,175,343	\$355,849	\$167,174	\$58,613	\$21,263	\$36,556	\$38,232	\$3,970
REQUIRED MARGIN REVENUE	\$258,470,329	\$213,100,621	\$15,822,556	\$11,564,065	\$6,335,285	\$2,476,098	\$4,257,131	\$4,452,212	\$462,362
CURRENT MARGIN REVENUES	\$244,931,175	\$191,873,402	\$12,411,588	\$18,790,378	\$8,995,467	\$1,841,699	\$3,614,308	\$6,914,384	\$489,949
AVERAGE GAS REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ZERO REVENUE INCREASE PLUG	(\$13,539,154)	(\$11,162,605)	(\$828,815)	(\$605,747)	(\$331,864)	(\$129,703)	(\$222,996)	(\$233,215)	(\$24,219)
C-O-S MARGIN REVENUES @ 0%	\$244,931,175	\$201,938,016	\$14,993,742	\$10,958,318	\$6,003,431	\$2,346,395	\$4,034,135	\$4,218,996	\$438,142
AVERAGE GAS COSTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
REVENUE INCREASE AT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
REVENUE ABOVE (BELOW) COS	\$0	(\$10,064,614)	(\$2,582,153)	\$7,832,060	\$2,992,036	(\$504,696)	(\$419,827)	\$2,695,388	\$51,807
% INCREASE WITHOUT GAS COSTS	0.00%	5.25%	20.80%	-41.68%	-33.26%	27.40%	11.62%	-38.98%	-10.57%