

Exhibit No.: _____
Issues: FAS 106
Witness: Michael J. Muth
Sponsoring Party: Missouri Gas Energy
Case No.: GR-2009-0355
Date Testimony Prepared: September 28, 2009

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2009-0355

REBUTTAL TESTIMONY OF

MICHAEL J. MUTH

Jefferson City, Missouri

September 2009

Denotes Highly Confidential Information

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CASE NO. GR-2009-0355

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1 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

2 A. My name is Michael J. Muth, and my business address is 9500 Arboretum Boulevard,
3 Suite 200, Austin, Texas 78759.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Rudd and Wisdom, Inc. as an actuary. I am Senior Principal and
7 Senior Actuary of the firm.

8

9 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

10 A. I am a *Cum Laude* graduate of Culver Military Academy, graduating with Honors in
11 Mathematics and With Honors in Physics. I am also a graduate of the University of
12 Texas at Austin with a Bachelor of Business Administration degree in Finance/Actuarial
13 Science, with Highest Honors. I am a Fellow of the Society of Actuaries, a Member of
14 the American Academy of Actuaries, an Enrolled Actuary and a Fellow of the
15 Conference of Consulting Actuaries.

16

17 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND.**

1 A. I have been a consulting actuary, specializing in pension and other post-employment
2 benefits, with Rudd and Wisdom, Inc. since 1978.

3

4 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

5 A. I am testifying in this case on behalf of Missouri Gas Energy (“MGE” or Company”) a
6 division of Southern Union Company. The purpose of my testimony is to respond in part
7 to portions of the Staff Report- Cost of Service regarding the Company’s treatment of
8 Other Post-Employment Benefits “OPEBs” under the Statement of Financial Accounting
9 Standards No. 106 (“SFAS106”) as well as Public Counsel witness Ted Robertson’s
10 testimony on this issue. I have been advised by counsel that Missouri statute provides for
11 rate recovery of OPEBs calculated in accordance with FAS 106 so long as the
12 assumptions and estimates used in developing the FAS 106 level of expense are based on
13 sound actuarial principles. Because the Commission Staff and Public Counsel have
14 questioned the use of FAS 106 for ratemaking purposes in this case, my testimony will
15 demonstrate that the level of OPEBs requested for rate recovery by MGE has been
16 calculated in accordance with FAS 106 pursuant to assumptions and estimates that are
17 based on sound actuarial principles. MGE witness John Davis will provide further
18 testimony on this issue.

19

20 **Q. PLEASE DESCRIBE THE NATURE OF YOUR WORK FOR SOUTHERN**
21 **UNION COMPANY.**

22 A. Since 1994, my firm has been engaged by Southern Union Company to conduct an
23 Actuarial Valuation of MGE’s Postretirement Benefits other than Pensions. I have

1 attached the Actuarial Valuation Report as of January 1, 2009 as Schedule MJM-1 to this
2 testimony.

3

4 **Q. WHAT IS CONTAINED IN THE ACTUARIAL VALUATION REPORT?**

5 A. As detailed in the report, SFAS Nos. 106, 132(R) and 158 establish the standards of
6 financial reporting and accounting for an employer that offers postretirement benefits
7 other than pensions to its employees. These standards include provisions for a liability or
8 asset related to the plan to be shown directly on the employer's financial statements. This
9 report provides the Company and its auditors with the information required by SFAS No.
10 106 and SFAS No. 132(R), as amended by SFAS No. 158.

11

12 **Q. CAN YOU BRIEFLY SUMMARIZE WHAT THE JANUARY 1, 2009 REPORT**
13 **SHOWS?**

14

15 A. The Executive Summary on page 3 of the report provides a summary of our findings and
16 is quoted in its entirety below:

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SCHEDULE ONE
HAS BEEN DEEMED
HIGHLY CONFIDENTIAL
IN ITS ENTIRETY