

Exhibit No.:
Issue: *True-up*
Witness: *Mark L. Oligschlaeger*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *True-up Direct Testimony*
Case No.: *GR-2009-0355*
Date Testimony Prepared: *November 24, 2009*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

TRUE-UP DIRECT TESTIMONY

OF

MARK L. OLIGSCHLAEGER

**MISSOURI GAS ENERGY,
a Division of Southern Union Company**

CASE NO. GR-2009-0355

*Jefferson City, Missouri
November 24, 2009*

1 **TRUE-UP DIRECT TESTIMONY**
2 **OF**
3 **MARK L. OLIGSCHLAEGER**
4 **MISSOURI GAS ENERGY,**
5 **a Division of Southern Union Company**
6 **CASE NO. GR-2009-0355**
7

8 Q. Please state your name and business address.

9 A. Mark L. Oligschlaeger, P. O. Box 360, Jefferson City, MO 65102.

10 Q. Are you the same Mark L. Oligschlaeger who has previously filed direct,
11 rebuttal and surrebuttal testimony in this proceeding for the Staff?

12 A. Yes, I am.

13 Q. What is the purpose of your true-up direct testimony?

14 A. The purpose of this testimony is to report the results of the Staff's true-up audit
15 of Missouri Gas Energy, a Division of Southern Union Company (MGE or Company) in
16 this proceeding.

17 **EXECUTIVE SUMMARY**

18 Q. Please briefly summarize your true-up direct testimony.

19 A. The Staff has performed a true-up audit of MGE's operations in conformity
20 with the Commission's September 15, 2009 "*Order Establishing True-up.*" In this
21 testimony, I discuss the results of the true-up audit.

22 **TRUE-UP AUDIT**

23 Q. Please describe the true-up audit of MGE's operations performed by the Staff
24 in this proceeding.

1 A. Based upon a previous Order from the Commission, the parties are using a test
2 year for the 12 months ending December 31, 2008 in this case, with an additional update
3 period ending April 30, 2009. Per the Commission's subsequent September 2009 Order
4 authorizing a true-up in this proceeding, the Staff has updated its case to reflect known and
5 measurable events affecting significant elements of MGE's revenue requirement for the
6 months of May through September 2009. The revenue requirement areas updated by the
7 Staff are the following:

8 **Rate Base:** Plant in Service, Depreciation Reserve, Deferred Taxes, Materials and
9 Supplies, Natural Gas in Storage, Prepaid Pension Asset, and the Cash Working Capital
10 impact of other true-up items.

11 **Income Statement:** Revenues from Customer Growth (Residential Class only),
12 Depreciation Expense, Payroll Expense (Employee Levels, Wage Rates, Benefit Costs and
13 Associated Payroll Taxes), Rate Case Expense, and the effect on Income Taxes of Trued-up
14 Items.

15 **Rate of Return:** Rate of Return Calculation (excluding Return on Equity) and
16 Capital Structure.

17 Q. How did the Staff conduct its true-up audit?

18 A. The Staff updated its analysis in the areas listed above using the same methods
19 and approach it used in its initial filing in this proceeding. The Staff's true-up audit was
20 also performed consistently with the terms of the "*Partial Stipulation and Agreement*" filed
21 with the Commission on November 5, 2009.

22 Q. What capital structure is the Staff using as of September 30, 2009?

1 A. The Staff is using a hypothetical capital structure as of September 30, 2009,
2 which consists of 50.49% common equity, 7.44% short-term debt and 42.07% long-term
3 debt.

4 Q. What is the Staff's true-up rate of return recommendation in this case?

5 A. After updating the debt rates and capital structure percentages, the Staff's rate
6 of return recommendation at true-up is 7.35%, reflecting a mid-range return on equity
7 of 9.5%. The Staff's proposed ROE range is from 9.25% to 9.75%. The Staff's ROE range
8 recommendation has not changed from the Staff's previous filings in this case. Both the
9 Staff's true-up recommendations concerning capital structure and debt rates are discussed in
10 the true-up direct testimony of Staff witness David Murray of the Financial Analysis
11 Department.

12 Q. What revenue components were updated by the Staff in its true-up audit?

13 A. The Staff updated its revenue adjustments to reflect customer growth for the
14 period of May – September 2009 for the residential customer class.

15 Q. How did the Staff update MGE's rate case expense in the true-up audit?

16 A. The Staff has reflected MGE's actual rate case expenses incurred through the
17 initial evidentiary hearings in this case, as well as including an estimate of the costs MGE
18 will incur during the true-up and briefing phases of this case. The Staff has proposed to
19 disallow certain excessive hotel and meal costs incurred by MGE during the initial phase of
20 evidentiary hearings in this proceeding.

21 Q. What were the overall results of the Staff's true-up audit?

1 A. The Staff's recommended traditional revenue requirement after the true-up
2 audit is \$16,426,485, reflecting the midpoint of the Staff's rate of return range as shown in
3 the Staff's True-up Accounting Schedules, filed concurrently with this testimony.

4 Q. Does this conclude your true-up direct testimony?

5 A. Yes, it does.

