

Exhibit No.:

Issues:

Weather Normalized
Sales;

Service Area

Witness:

James A. Gray

Sponsoring Party:

MO PSC Staff

Type of Exhibit:

Surrebuttal Testimony

Case No.:

GR-99-315

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

JAMES A. GRAY

LACLEDE GAS COMPANY

CASE NO. GR-99-315

FILED

AUG 19 1999

**Missouri Public
Service Commission**

Jefferson City, Missouri

August 1999

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1 The Company's methodology assumes a linear relationship between space
2 heating usage and heating degree days, and is very simple to understand
3 and apply. (Krieger, Rebuttal, page 2, lines 7-11)
4

5 Laclede's methodology to weather adjust test year gas sales is a very simple
6 averaging process (model) and is not a linear estimate. Laclede's model is not consistent
7 with their assumption of a linear relationship.

8 A linear relationship is described by a straight line. Laclede's estimated
9 "relationship between space heating usage and heating degree days" (HDD) is one point,
10 a ratio of "use per customer per degree day (U/C/DD)." Any number of straight lines,
11 wavy lines, or curves can be drawn or fitted through one point.

12 Staff's methodology relies on twelve monthly values or points, and Staff has
13 demonstrated the linearity by plots and the *r squared* (r^2) values, as shown in Schedules
14 4-1 through 4-5 attached to my Direct Testimony in this case.

15 Q. Do you agree with Ms. Krieger's statement on page 5 of her rebuttal
16 testimony that Staff switched to statistical regression in Laclede's Case No. GR-92-165?

17 A. No, Ms. Krieger states:

18 In Case No. GR-92-165, Staff switched from the same ratio methodology
19 that the Company continues to utilize today to using regression analysis to
20 calculate its weather normalization adjustment. (Krieger, Rebuttal, page
21 5, lines 1-5)
22

23 In Case No. GR-90-120, which was a Laclede rate case prior to Case No. GR-92-
24 165, Staff used statistical regression. The only instance that I am aware where Staff used
25 an averaging (ratio) method was in Missouri-American Water Company, Inc.'s Case No.
26 WR-91-211.

27 Q. Why did Staff use a ratio method in Case No. WR-91-211?

1 A. In that water case, the statistical regression models did not support a linear
2 relationship.

3
4 **SERVICE AREA DESCRIPTIONS IN THE TARIFF**

5 Q. Does Laclede want more precise service area descriptions in its tariff?

6 A. No, Mr. Cline states:

7 Since territorial clarifications or modifications are relatively rare and
8 generally must be preceded by other Commission action, the Staff's
9 recommendation that the Company modify its tariff to include a listing of
10 existing communities served and a legal description by Missouri county is
11 unnecessary and burdensome. (Cline, Rebuttal, page 8, lines 1-7)
12

13 Q. Do you disagree with Mr. Cline when he defines township, range, and section
14 numbers as "legal descriptions" on page 8 of his rebuttal testimony?

15 A. Yes, in my opinion, a legal description contains a metes and bounds
16 description of a point or about an area of land. However, I have not recommended metes
17 and bounds descriptions in Laclede's tariff.

18 Staff recommends that Laclede should note the township, range, and section
19 number in its tariff where Laclede is the natural gas provider for any part of that section
20 in an unincorporated area. A section is 1/36 of a township comprising one square mile
21 (640 acres). A legal description is a far more restrictive.

22 Schedules 9-1 and 9-2 attached to my Direct Testimony show an example of my
23 recommended service area descriptions. I have recommended that Laclede list all
24 communities served by Company Division and Missouri county. For unincorporated
25 areas, including any rural farm tap customers, the authorized service areas for each

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Missouri county should be defined by township, range, and section numbers. Moreover,
I recommended that:

The service area descriptions ordered in Case Nos. GA-99-107 and GA-99-236, should be incorporated into any revision to the service area descriptions in this case. (Gray, Direct, page 25, lines 2-4)

Q. Why do you think that a more specific service area description in Laclede's tariff is necessary?

A. In my Direct Testimony, I listed the following five reasons why a more specific service area description would reduce confusion concerning the boundaries of utilities:

1. Safety related issues. If a person notices a gas leak in a neighborhood, that person might not know to which utility to report the gas leak;

2. Rate confusion. Neighbors might have different rates for natural gas. This can create confusion to customers regarding rate increases and decreases. That may in turn require additional involvement by the governmental entities involved;

3. Construction crews for the city and developers should be able to contact the proper utility for location of facilities (underground, etc.), which could reduce hazards related to construction;

4. The utilities need to plan their facilities for the future. It may reduce future duplication of facilities and allow both natural gas suppliers to plan their distribution systems in a reasonable and cost-effective manner, knowing that all new customers in the designated areas will be served by one supplier, and;

5. As population growth causes utility boundaries to encroach upon one another, each utility cannot be sure that its investment in facilities will be secure. This inhibits planning for future growth. To insure an orderly, well-planned environment, utility boundaries should be reasonably defined. It may also reduce future territorial disputes. (Gray, Direct, page 23, lines 12-33)

These above five reasons are the main reasons for including the recommended service area descriptions in the tariff, not as Mr. Cline stated in his rebuttal testimony:

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1 The main reason Mr. Gray provides for imposing such a requirement is to
2 minimize future territorial disputes between the Company and other
3 LDCs. (Cline, Rebuttal, page 7, lines 6-8)
4

5 Q. Why did your Direct Testimony in this case address the territorial dispute
6 between Union Electric Company d/b/a AmerenUE (AmerenUE) and Laclede in the
7 Wentzville, Missouri (Wentzville) area?

8 A. One reason was to demonstrate that the public might be uncertain as to which
9 utility provides natural gas service in a given area. For example, AmerenUE listed
10 Wentzville as one of the communities it serves in AmerenUE's tariff, but Laclede's tariff
11 did not indicate that Laclede was providing service inside the corporate limits of
12 Wentzville near the General Motors Corporation Plant (GM Plant).

13 Q. Would Laclede agree to make any modifications to its service area
14 descriptions?

15 A. Only selectively, as Mr. Cline states:

16 Instead, the Company's tariff should be modified on a case by case basis,
17 when and if necessary, after approval of a service area change by the
18 Commission. (Cline, Rebuttal, page 8, lines 7-10)
19

20 In my opinion, the better service area descriptions are needed now, not "on a case by case
21 basis." The public is entitled to know what areas are certificated to Laclede.

22 Q. Does Laclede agree to include more descriptive service area descriptions in its
23 tariff when a certificate of public convenience and necessity (CCN) "specifies" a service
24 area?

25 A. Yes, in a seemingly contradictory statement, Mr. Cline states:

26 However, often, Commission orders are not specific as to the legal
27 description of each Company's service area. Certainly, the Company has

1 no objection to specifying such territories within its tariff if the
2 Commission has specified them. (Cline, Rebuttal, page 7, lines 15-20)
3

4 Q. How does Staff currently interpret surrounding areas, vicinity, or adjacent
5 areas to an incorporated area?

6 A. Staff interprets surrounding or adjacent areas as the section next to or adjacent
7 to the city limits. As the corporate limits expand, so does the certificated area. If cities
8 expand so that their city limits will abut other cities, utilities will not be able to be
9 certificated for any surrounding and adjacent areas because no such unincorporated areas
10 will exist.

11 Commission Rule 4 CSR 240-2.060(F)3 requires natural gas CCN applications to
12 contain: "The metes and bounds description of the area to be certificated." New CCN
13 applications will contain the necessary metes and bounds descriptions. Presumably
14 according to Mr. Cline, these new CCN would be reflected by "specifying such territories
15 within its tariff." Although it is unclear how he plans to accomplish that.

16 Q. Have any natural gas utilities made an effort to improve their service area
17 descriptions in their tariffs?

18 A. Yes, Missouri Gas Energy (MGE) and Missouri Public Service (MPS) have
19 included the recommended service area descriptions in their tariffs. Also, St. Joseph
20 Light & Power Company (SLJP) agreed to implement the same type of service area
21 descriptions in its natural gas tariff.

22 Q. Have regulated electric utilities begun improving their service area description
23 in their tariffs?

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1 A. Yes, Commission Rule 4 CSR 240-2.010(10)(B) requires electric companies
2 to adequately describe their service territories in their tariffs:

3 (B) Description of Territory. A more lengthy description of the territory
4 to be served than be briefly set forth on the title page will often be
5 necessary; any items in this category which bear any relation to the
6 various rates should be explained under this heading;

7
8 AmerenUE and Kansas City Power & Light Company (KCP&L) have the
9 recommended service area descriptions. Also, SJLP has agreed to implement the same
10 type of service area descriptions in its electric tariff.

11 Q. Do you agree that a CCN defines the boundaries of Commission regulated
12 utilities, not the tariff?

13 A. Yes, Staff agrees with Mr. Cline's statement:

14 The tariff only serves to document the boundaries after Commission
15 approval has been obtained. (Cline, Rebuttal, page 7, lines 13-15)

16
17 The purpose of the tariff is not to redefine service areas. Consequently, the tariff
18 does not give or take away any service area.

19 The tariff should provide an accurate and understandable description of the
20 service area for the general public. Utilities often serve rapidly developing
21 unincorporated areas. Especially, in those cases, it is important to list the township,
22 range, and section numbers for developers, contractors, and their potential homeowners.

23 Q. Has Laclede modified its service area description since you filed your Direct
24 Testimony in this case?

25 A. Yes, Laclede modified its service area description to reflect a territorial
26 agreement with AmerenUE near Wentzville. I have attached Schedules 1 and 2 to this
27 surrebuttal testimony showing Laclede's tariff sheets P.S.C. MO. No. 5 Consolidated,

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1 Third Revised Sheet Nos. 1 and R-1 that describe the service areas of Laclede by
2 division. A copy of the previous Second Revised Sheet No. R-1 is attached to my Direct
3 Testimony as Schedule 8.

4 Q. Is Laclede's Wentzville service area adequately described in its CCN as well
5 as its tariff?

6 A. Yes, it is. The CCN contains a metes and bounds description. In addition, the
7 tariff now briefly describes the service area near Wentzville for the general public. The
8 tariff's general description of the Wentzville service area is shown in Schedules 1 and 2
9 attached to this testimony.

10 Q. Were any other service area descriptions changed as a result of Case Nos. GA-
11 99-107 and GA-99-236?

12 A. No, the previous service area description for St. Charles County is still vague
13 and still states, "All Areas and Communities Served in St. Charles County, Missouri." In
14 my opinion, if the public were inquiring about the availability of natural gas service, that
15 description does not convey any information. I disagree with Mr. Cline's statement about
16 the adequacy of Laclede's service area descriptions in Laclede's current tariff:

17 The form of the Company's existing tariff with respect to service areas
18 provides an adequate description of the Company's service area, has been
19 in place for years and has caused little, if any, confusion. (Cline, Rebuttal,
20 page 7, lines 25-27 and page 8, line 1)
21

22 Q. Briefly explain the existing CCN that Laclede currently has in St. Charles
23 County, Missouri .

24 A. On April 24, 1964, the Commission granted St. Charles Gas Corporation,
25 predecessor of Laclede, a CCN to serve the unincorporated areas in St. Charles County in

1 the Commission's REPORT AND ORDER in Case No. 15,234. The current Laclede
2 CCN does not define the service territory in metes and bounds.

3 As mentioned previously, the territorial agreement between AmerenUE and
4 Laclede has modified this CCN in the Wentzville area and this modification is briefly
5 described in Laclede's current tariff. This modification to its CCN is defined by a metes
6 and bounds description.

7 Q. Do you recommend that Laclede's tariff should indicate that it is authorized to
8 provide natural gas service to all of unincorporated areas of St. Charles County?

9 A. In my opinion, it would be acceptable if Laclede indicated that it is authorized
10 to serve all the unincorporated areas of St. Charles County with the exception of a list of
11 township, range, and section numbers of the unincorporated areas it is not authorized to
12 serve.

13 Q. Does this conclude your Surrebuttal Testimony?

14 A. Yes, it does.

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-99-315
)
)

AFFIDAVIT OF JAMES A. GRAY

STATE OF MISSOURI)

) ss.

COUNTY OF COLE)

James A. Gray, is, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 9 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

James A Gray
JAMES A. GRAY

Subscribed and sworn to before me this 18th day of August 1999.

Rosemarie Redd
Notary Public

My Commission Expires: June 1, 2001

Laclede Gas Company

Name of Issuing Corporation or Municipality

All Areas Served By All Company Divisions

For Community, Town or City

Rate schedules for billing purposes shall apply fully to bills based on meter readings taken on and after the effective dates of such rate schedules.

Missouri Public
Service Commission

REC'D JUN 03 1999

LACLEDE GAS COMPANY

SCHEDULE OF RATES

FOR GAS

APPLYING TO THE FOLLOWING TERRITORIES:

LACLEDE GAS COMPANY DIVISION

City of St. Louis and St. Louis County, Missouri

ST. CHARLES GAS COMPANY DIVISION

All Areas and Communities Served in St. Charles County, Missouri. The portion of the Company's service area in St. Charles County south of U.S. Highway 61 and Interstate Highway No. 70 excludes the following areas, all of which are specifically defined in the Stipulation and Agreement in Case Nos. GA-99-107 and GA-99-236, Consolidated: part of Township 47 North, Range 1 East, part of Township 47 North, Range 2 East, part of Township 46 North, Range 1 East, and part of Township 46 North, Range 2 East. The portion of the Company's service area in St. Charles County north of U.S. Highway 61 and Interstate Highway No. 70 includes all unincorporated areas, certain incorporated areas and certain portions within the City of Wentzville along the main that serves the General Motors Assembly Plant site as more specifically set forth in the Commission's May 4, 1999 Order in the aforementioned cases.

MISSOURI NATURAL GAS COMPANY DIVISION

All Areas and Communities Served in Butler, Iron, Jefferson, Madison, St. Francois, and Ste. Genevieve Counties, Missouri plus the Franklin County District. The Franklin County District Service Area Generally Consists of Eastern Franklin County and Northeast Crawford County (Excluding the City of Sullivan) and is Set Out in Detail in the Revised Metes and Bounds Description Filed by the Company on December 4, 1992 in its Application To Relinquish Certificate of Convenience and Necessity.

MIDWEST MISSOURI GAS COMPANY DIVISION

All Areas and Communities Served in the
Northern One-Half of Jefferson County, Missouri

Missouri Public
Service Commission
99-236

FILED JUL 04 1999

DATE OF ISSUE June 2, 1999
month day yearDATE EFFECTIVE July 4, 1999
month day year

ISSUED BY *K. J. Neises* K. J. Neises, Senior Vice President, 720 Olive Street, St. Louis, MO 63101
name of officer title address

Laclede Gas Company

Name of Issuing Corporation or Municipality

All Areas Served By All Company Divisions

Community, Town or City

Missouri Public
Service Commission

REC'D JUN 03 1999

LACLEDE GAS COMPANY

STANDARD RULES AND REGULATIONS

APPLYING TO THE FOLLOWING TERRITORIES:

LACLEDE GAS COMPANY DIVISION

City of St. Louis and St. Louis County, Missouri

ST. CHARLES GAS COMPANY DIVISION

All Areas and Communities Served in St. Charles County, Missouri. The portion of the Company's service area in St. Charles County south of U.S. Highway 61 and Interstate Highway No. 70 excludes the following areas, all of which are specifically defined in the Stipulation and Agreement in Case Nos. GA-99-107 and GA-99-236, Consolidated: part of Township 47 North, Range 1 East, part of Township 47 North, Range 2 East, part of Township 46 North, Range 1 East, and part of Township 46 North, Range 2 East. The portion of the Company's service area in St. Charles County north of U.S. Highway 61 and Interstate Highway No. 70 includes all unincorporated areas, certain incorporated areas and certain portions within the City of Wentzville along the main that serves the General Motors Assembly Plant site as more specifically set forth in the Commission's May 4, 1999 Order in the aforementioned cases.

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All Areas and Communities Served in the
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Service Commission

99-236

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DATE OF ISSUE June 2, 1999
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name of officer title address