MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

STAFF CLASS COST-OF-SERVICE, RATE DESIGN, AND MISCELLANEOUS TARIFF REPORT

MISSOURI GAS UTILITY

CASE NO. GR-2008-0060

Jefferson City, Missouri
February 2008

STAFF CLASS COST-OF-SERVICE, RATE DESIGN,

AND MISCELLANEOUS TARIFF REPORT

STAFF CLASS COST-OF-SERVICE, RATE DESIGN, AND MISCELLANEOUS TARIFF REPORT

I. Executive Summary

The purpose of the Staff's Class Cost-of-Service (CCOS) testimony is to provide a recommendation concerning the method Staff used to divide Missouri Gas Utility's (MGU) costs among its customer classes. Staff's study presents a measure of relative class cost responsibility for the overall revenue requirements of MGU. In this testimony, Staff also makes its recommendations concerning rate design and proposed changes to various tariff charges.

The Staff has evaluated MGU's class cost-of-service, rate design and miscellaneous tariff proposals. Staff's objectives are:

1. to collect the Commission-ordered overall increase in revenues;
2. to implement an equal percentage increase to all classes;
3. to implement rate schedules that reflect the Company's current operations, and propose a Straight Fixed Variable rate design for the General Service Customer class.

As a result of Staff's review of all cost-of-service components, rate design elements and the proposed tariff changes, Staff's recommendations are that:

1. Any Commission ordered overall revenue increase should be implemented as an equal percentage increase to each rate schedule.
2. No shifts in class costs due to the lack of data to perform a sound class cost-of-service study.
3. The company should file a class cost-of-service study in their next rate case.
4. The company should implement a straight-fixed-variable/delivery charge for the General Service Class, and retain the current rate structure for the remaining rate classes.
5. The Staff recommends the Commission implement a tariff and rate for Non Sufficient Funds and make changes to other tariff language issues as proposed by Staff.

II. Class Cost-of-Service (CCOS)

A. Concepts of Developing Class Cost-of-Service Studies for Natural Gas Companies

Cost-of-Service: total costs prudently incurred by a utility in providing services to its customers in a particular jurisdiction.

Cost-of-Service Study: a study that analyzes total company costs, adjusts them in accordance with regulatory principles (annualizations and normalizations), allocates these costs to the relevant jurisdiction, and compares the allocated costs to the revenues the utility is generating from its retail rates, off-system sales, and other revenues. The results of a cost-of-service study are expressed in terms of additional revenue required for the utility to recover its cost-of-service, or the amounts by which a utility is over-recovering.

Class Cost-of-Service Study: a quantitative analysis of the costs incurred by a utility to serve its various classes of customers. A Staff CCOS study consists of these steps:

a) Costs are categorized (functionalized) based upon the specific role they play in the operations of a local distribution company (LDC);

b) Costs are classified by whether they are customer related, demand related, or energy related;

c) Functionalized/classified costs are allocated to customer classes. The sum of all allocated costs to a customer class is called the cost-to-serve that class.

The cost-of-service of each customer class is compared to the annualized, normalized revenues the utility collects from each class through its rates, plus each class' allocated share of revenues from off-system sales and other revenues. The results of a CCOS are expressed in terms of additional revenue required from each class for the utility to recover its cost of serving that class, or the amounts by which a utility is over-recovering.

Relationship between Cost-of-Service and CCOS: conceptually, class cost-of-service is a breakdown of cost-of-service. A cost-of-service study determines what portion of total company costs is attributable to the retail jurisdiction; a CCOS study determines what portion of retail costs is attributable to each customer class.

Cost Allocation: a procedure by which common or joint costs are apportioned among customers or classes of customers.

Cost Functionalization: the grouping of rate base and expense accounts according to the specific function they play in the operations of an LDC. The most aggregated functional categories are Production, Storage, Transmission, Distribution, and "Other" costs.

Customer Class: a group of customers with similar characteristics (usage patterns, conditions of service, usage levels, etc.) that are identified for the purpose of setting rates for gas service.

Rate Design: (1) a process used to determine the rates for a gas utility once total cost-of-service is known; (2) characteristics such as rate structure, rate values and availability that define a rate schedule and provide the instructions necessary to calculate a customer's gas bill.

Rate Design Study: while a CCOS study focuses on the revenue responsibility of customer classes, a rate design study focuses on the equitable pricing of the individual customers within each class and sending the proper price signal to customers. The rate design process attempts to recover costs in each time period (e.g., summer/winter or on-peak/off-peak) from each rate component for each customer in a way that equates the cost of providing service with the amount the customer is billed in accordance with the rate schedule.

Rate Schedule: one or more tariff sheets that describe the availability requirements and prices applicable to a particular type of retail gas service. A customer class used in a CCOS study may consist of one or more rate schedules.

Rate Structure: rate structure is composed of the various types of monthly prices charged for the utility' products. At the most basic level there are: a) customer charges, a fixed dollar amount to be paid each month irrespective of the amount of the product taken; b) usage (energy) charges, a price per unit charged on the total units of the product consumed over the month. (Since the Staff or the Commission's Energy Department believes that, in the short-term, all the costs which the customer and energy charges attempt to collect are fixed (rather than variable), the customer charge and the energy charge is sometimes combined into a fixed "delivery" charge.); c) purchased gas adjustment (PGA) charges, which is a "pass-through" of gas costs; and, d) demand charges, a price per unit charge for gas consumed over a 24-hour period of time. One criterion for setting rate structures has to do with how well the structure tracks costs. Another criterion deals with the ease or difficulty in administrating the rate, as well as the customer understanding of how it works, i.e., what causes the customer to incur a higher or lower monthly bill.

Rate Values (Rates): the per-unit prices the utility charges to provide service to its customers. Rates are expressed as dollars per unit of volume (Ccf, Mcf) or per unit of energy (MMBtu, therm), etc.

Tariff: a document filed by a regulated entity with either a federal or state commission; it lists the rates (prices) the regulated entity will charge to provide service to its customers as well as the terms and conditions that it will follow in providing service.

Units of Measurement:

Btu: British thermal unit.

MMBtu: one million Btus. One MMBtu is approximately the amount of energy contained in 1,000 Cf (or 1 Mcf) of natural gas, 83.3 pounds of coal, 10.917 gallons of propane, 8 gallons of gasoline, or 293.083 kWh of electricity.

Cf: a unit of volume of one cubic foot of natural gas, which contains approximately 1,000 Btus of energy.

Therm: 100,000 Btus of energy, approximately equal to the energy contained in 100 Cf of natural gas.

III. General Description of the CCOS study filed in GR-2008-0060

The purpose of the Staff's CCOS study is to provide the Commission with a measure of relative class cost responsibility for the overall revenue requirements of MGU. For individual items of cost, the responsibility of a certain class of customers to pay that cost can be either directly assigned or allocated to customer classes using reasonable methods for determining the class responsibility for that item of cost. The results are then summarized so that they can be compared to revenues being collected from each class on current rates. The difference between a particular customer class' costs responsibility and the revenues generated by that customer class is the amount that class is either paying in excess of its costs (revenues greater than costs) the other classes are paying in excess of their respective costs.

The annualized usage levels and customer bill counts for the General Service (Residential), Commercial Service, Large Volume Service, and Transportation Service classes were provide by Staff witness Kim Bolin. The class peak demand levels for General Service and Commercial Service customers were developed by Staff witness James Gray, and those

for Large Volume Service and Transportation Service were developed by Staff witness Daniel Beck. All accounting information was developed using costs produced by the Auditing Department, which are based upon a test year ending March 31, 2007, updated for known and measurable changes through September 30, 2007.

IV. Customer Classes

The Staff analyzed the costs and revenues of the following customer classes:

General Service (GS)

Commercial Service (CS)

Large Volume Service (LVS)

Transportation Service (TS)

These classes correspond to MGU's current customer classes, although without the "institutional" classification. MGU's rate case filing proposed removing the institutional rates, with which Staff concurs. Per the filed tariff's, the customer classes above will be MGU's rate classes when the company's new tariff sheets go into effect.

The GS class is available to all firm gas service customers, but consists mostly of residential customers. The CS class is comprised of those non-residential customers with a minimum usage of 3,000 Ccf per year, while the LVS class consists of customers with an annual usage of 35,000 Ccf annually, and who maintain an average load factor of 35% during the winter months. The TS class consists of any customer with requirements in excess of 35,000 Ccf in any month of a 12-month period. While the Company has an Interruptible Sales Service (ISS) tariff, it has no customers under that tariff, and therefore, no costs can be allocated to that service at the present time.

The Company's costs were first categorized into functional areas that are to be allocated in the same way. This is referred to as cost functionalization. The rate base and expense accounts are assigned to one of the following functional categories: Storage, Distribution Mains, Distribution Measuring and Regulating, Distribution Meters, Distribution Regulators, Distribution Services, Billing, Meter Reading, Assigned Residential and Commercial, and Revenue Related.

Those costs, which cannot be directly assigned into any of these specific functional categories, are divided among several functions based upon some relational factor. For

example, it is reasonable to assume that property taxes are related to gross plant costs and can therefore be functionalized in the same manner as gross plant costs.

Stored natural gas is primarily used in winter months, so storage costs were allocated to all sales customers (those customers who buy their gas from MGU), using sales volumes from the months of November through March.

The allocation factors for Distribution Mains, Distribution Meters, Distribution Regulators, and Distribution Service Lines were developed by Staff witness Daniel Beck. Meter Reading costs were allocated using weighted customer numbers. Revenue Related costs were allocated based upon the Staff's annualized margin revenues.

The results of the Staff's CCOS study for MGU are shown on Attachment A**.** The CCOS study is presented in terms of revenue requirements before any increase in the Company's respective revenue requirements. These results show that General Service class revenues are slightly insufficient to cover their costs, while the Commercial Service, Large Volume Service, and Transportation Service classes' revenues are slightly in excess of their costs.

Staff's recommendation, based on the CCOS study is to not make any revenue shifts among classes at this time, but that the Commission order MGU to file a CCOS study at the time it files its next rate case.

Staff Expert: Thomas A. Solt

Staff developed a Capacity Utilization factor as the allocation factor for Distribution Mains. This Capacity Utilization factor uses estimated monthly peak-day loads for each month of the year to estimate each class's year-round use of the distribution system. In contrast, some mains allocation factors attempt to allocate most, if not all, of the cost of mains using the single peak-day usage for the year. Staff maintains that distribution mains are designed to serve customers all-year-round, not just the peak day, and the Capacity Utilization factor takes that fact into account by using peak-day loads for each month of the year.

To calculate the Capacity Utilization factor, the month with the lowest system peak usage would be proportionally assigned to each class that used natural gas on that peak day and would reflect that this peak usage is needed for all months of the year. For all other months, the incremental system load (the difference from the previous month to the next

month) is assigned proportionally to each class that used natural gas on that peak day and would reflect that this peak usage is needed for one to eleven months of the year. The resulting allocation factor is a number or value that is between the percent of volumes used by each class and the percent of peak usage on the peak day of the year for each class. For example, the Capacity Utilization factor for the General Service class is 46.10% while the percent of volumes is approximately 38.78% and the percent of peak is approximately 49.61%.

For the allocation of Distribution Meters, Distribution Regulators, Distribution Service Lines, and Billing and Meter Reading, a weighted customer allocator was used. Since MGU is a small utility, Staff used results from other natural gas utility company studies to develop the weights for MGU. For all allocators, the General Service Class was given a weight of 1 and the other classes values were calculated relative to 1. For example, the Commercial Service class was given a weight of 1.5 to reflect that its service lines typically cost more due to the length and diameter of the service line. Staff recommends that MGU file its own CCOS study in the next rate case in which it would be required to develop allocators for these functions as a part of that study.

Staff Expert: Daniel I. Beck

V. Rate Design – MO Gas Utilities – Case No. GR-2008-0060

Staff Proposal On GS Class Revenue Requirement

The customers in the Company's GS class include all residential customers, and non-residential customers who use less than 3,000 Ccf. annually. The average annual usage/GS customer is 697 Ccf.[1] After normalization for customer growth and weather, the GS class has 889 customers and current revenues of $278,938. This means that an average customer in this class is paying $314 annually.

The CCOS Study performed by Staff witness Thomas Solt indicates that this class should be contributing $460,675 toward MGU's revenue requirement. This represents a 65% increase in the revenues collected from this class.

[1] Per Jim Gray work papers in Case No. GR-2008-0060, Cycle Weather Calculatioh.xls, sheet Res-Normal

As discussed in this report, Staff is not convinced that this is warranted, and the Staff recommendation is that the revenues collected from each of MGU's rate classes be increased by the overall percentage increase in non-gas revenues coming out of this rate case. Even without shifting costs between customer classes, the increase in MGU's revenues result in non-gas charges for each tariff class increasing by almost 36%. The result is an average annual GS bill of $425.

Staff Proposal on GS Class Rate Design

Staff recommends the Straight Fixed-Variable (SFV or Delivery Charge) mechanism as the appropriate rate design for customers in this class. SFV collects all non-gas costs in a flat, fixed monthly charge. The charge is the same for all customers in the GS class. As will be discussed, the customers in this class are small, and Staff believes that the cost to provide service to any of these small customers is the same, regardless of end-use; therefore, recovering the costs in a flat charge is justified on the basis of fairness. In addition to the SFV rate design being an equitable way in which to collect the customers' non-gas revenues; it will also result in the correct price signal being provided to any current or potential customer.

There will be significant class impacts in this case, regardless of the rate design. If the Commission decides that it does not wish to move all the way to the SFV rate design at this time, then the resulting rate design will contain a non-gas volumetric component. The result of this alternative design is that the Company's high-use GS customers (a group composed primarily of space-heating customers) will pay an amount greater than the average cost of $425 to serve them. In this event, Staff proposes that the Company design and fund a conservation program targeted at its highest use GS customers.

Characterization of Customers as 'Low-Use' or 'High-Use'

On the surface, the characterization of customers in this class as 'low-use' or 'high-use' can be misleading, because these labels are derived by comparing a customer's use to other customers *in the GS class*. The possible range of usage in the GS class is only 3,000 Ccf annually.

In this discussion, the term 'low-use' will denote customers using less than the class average usage of 697 Ccf, and customers using more than the class average will be characterized as 'high-use'. The rationale for using the class average usage as a breakpoint lies in the rate-setting process, and will be discussed later in this report.

In comparison to electric use, the way residential and small commercial customers use natural gas is very limited. For residential and small-commercial customers, natural gas is commonly used for space-heating, domestic-use water-heating, gas fireplaces, swimming pool water-heating, and cooking.

A low-use customer might be a household that uses natural gas for cooking only and uses electricity and/or other fuels, such as wood, for part or all of its space-heating needs. While there will always be exceptions, high-use residential households will primarily be customers who use natural gas for their primary space-heating requirements. The following table illustrates some average usage figures for various Residential end-uses.

END USE	APPROXIMATE ANNUAL USAGE
Stove (Cooking – 4 people)[2]	24 Ccf
Gas Fireplace[3]	84 Ccf
Water-Heating (4 persons)[4]	288 Ccf
Space-heating (Primary fuel)[5]	640 Ccf

The numbers in this table do not reflect the actual usage of MGU customers - these are intended to show the range of usage of various appliances. All of these usages will be affected by the age and condition of the customer's equipment; in addition, an individual household's natural gas usage for water- and space-heating is heavily affected by the weather (specifically outside temperature) in the winter months.

Staff believes that differences in usage definitely affect many of the costs that the utility incurs to serve its customers; however, Staff does not believe that the size of an individual customer in a class such as MGU's GS class is sufficiently different from the size of *the other customers in the GS class* to warrant the customers within that class paying different amounts. Staff has recommended this approach in recent cases, and the Commission has ordered a SFV rate design for the smaller-usage classes in GR-2006-0387 (Atmos Energy), and GR-2007- 0422 (Missouri Gas Energy).

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[2] ibid
[3] ibid
[4] Fuel Comparisons, South Jersey Gas, www.sjindustries.com
[5] Table CE2-10c. Space-Heating Energy Consumption in U.S. Households by Midwest Census Region, 2001 – West North Central region

How Costs are Incurred vs. How Revenues are Collected

MGU currently has a rate design that has GS customers paying a fixed monthly customer charge that collects a portion of the customer's monthly bill, with the remainder of the non-gas portion of a customer's bill collected using a per-unit rate. As with all of the LDCs in Missouri, customers pay for the natural gas that they actually consume using the PGA rate. The PGA costs and rates are not the subject of this rate case.

The inclusion of a volumetric component in the recovery of the Company's non-gas costs results in a low-use GS customer paying less than the average GS customer's cost-of-service, and a high-use GS customer paying more than the average cost-of-service for a customer in this class. Staff thinks this is unwarranted and poor policy, in that, for every customer who is paying less than the average cost-of-service in the GS class (the low use customers), there are one or more customers that are paying MORE than their actual cost-of-service (space- and/or water-heating customers). Staff can see no reason why a customer, who is using natural gas to meet an essential need (heating), should pay more than their share so that a low-user can pay less.

Another concern that Staff has regarding the current rate structure is the distortion in the price signals sent to customers. Customers make a decision about the mix of fuels that is best for them by looking at both price and non-price factors. Currently customers are looking at a rate design where prices for low-use customers are artificially low; that is, they do not reflect the true cost to serve them. In this situation, small customers are not able to make a truly informed decision, and the consequences of this misinformation can be harmful. If small customers respond to that artificially low price by choosing natural gas rather than propane or electricity, then the larger customers will continue to subsidize the small users; to do so, they will have to pay too much to MGU for their service.

Rate Design For MGU'S Commercial and Large Volume Service Tariff Classes

Staff recommends that each component of MGU's non-gas tariffed rates increase by the same percentage, approximately 36%, as MGU's non-gas revenue requirement percentage increase.

MGU'S Institutional Rate Class Designations

Three of MGU's five tariff classes – GS, Commercial Service, and Large Volume Service have a provision for an alternate non-gas rate for institutions such as churches,

schools or government offices. Other than this designation, there is no difference between the customers on the 'regular' rate and those taking service under the institutional rate. While many natural gas companies had this type of rate in the past, these have been phased out as the companies came in for rate cases. Staff agrees with MGU that it is appropriate to discontinue these designations in this rate case.

If the Commission determines that it is appropriate to include a volumetric component in the GS rates, Staff believes that this should be coupled with a Company funded conservation program that is targeted toward the highest-use residential customers, since this group will pay a greater amount than customers who use less gas.

Conservation Proposal

In recent cases, the SFV proposal has been 'bundled' with a proposal that the Company actively participate in assisting its small, weather-sensitive customers with meaningful conservation activities, and Staff proposes that in this case, as well. The reason for tying the two issues together lies in the removal of a significant disincentive for the Company. A natural gas company has a responsibility to both its shareholders and its customers, and the interests of the two groups can be very different. Under the current rate design, MGU is faced with a quandary – the Company can either do what is best for its shareholders, which is increase revenues by selling more gas, or it can take actions which help customers reduce their bills, which results in the Company selling less gas. Under the SFV rate design, there is no either/or decision. If the Company's non-gas revenues from this class are not dependent on the vagaries of Missouri weather or on the consequences of customer conservation, then MGU can enter into conservation and weatherization activities without harming its shareholders.

This is a company with such a small customer base that Staff believes 'stand alone' conservation proposals such as contributing money to be used for low-income weatherization or equipment rebate programs might not be possible. Instead, Staff proposes initiation of discussions with the Company and the Office of the Public Counsel about other ways in which MGU could promote conservation in the communities of Hamilton and Gallatin. For example, AmerenUE provides electric service to a portion of the MGU service territory, and Staff suggests that MGU and AmerenUE explore the possibility of forming a partnership to provide conservation opportunities for customers in their shared service territories. Staff also

supports a program in which the Company works with local stores to promote conservation measures such as programmable thermostats and insulation. Another opportunity for MGU would be to work with the University of Missouri Extension Center in that area to provide its customers with knowledge and analytical tools that would help customers make decisions on measures that would be the most beneficial to their individual circumstances.

Staff Expert: Anne E. Ross

VI. Miscellaneous Tariff Charges

Summary

The Tariffs/Rate Design Energy Staff performed an analysis on MGU Miscellaneous Tariff Services. The Staff addressed the following issues:

- Non Sufficient Funds (NSF) Charges;
- Disconnect / Reconnection Charge;
- Collection Trip Charge;
- Special Meter Reading Charge;
- Penalty Charge - Interruptible Service;
- MGU's miscellaneous tariff accounting mechanism ; and
- Other Miscellaneous tariff language changes.

MGU'S PROPOSED RATE CHANGES

MGU is proposing to increase the following Miscellaneous Charges as part of this case:

SUMMARY OF RATE CHANGES PROPOSED BY MGU

	PROPOSED RATE	EXISTING RATE	PROPOSED RATE INCREASE
Disconnect & Reconnection Charge	$40.00	$30.00	$10.00
Collection Trip Charge	$40.00	$20.00	$20.00

Labor Rates

Per-Hour

Tech, Vehicle, Tool & Equipment	$40.00	$35.00	$5.00
Tech only	$30.00	$25.00	$5.00

NSF CHARGE / NSF PAYMENT

The Staff performed an analysis on the untariffed NSF charge MGU was billing its customers. In its responses to various Staff DRs, MGU acknowledges the existence of a NSF charge and the associating revenues with this un-tariffed charge. MGU also acknowledge that it has been charging customers a NSF since 2005. Between 11/28/2005 and 08/10/2007, MGU has collected a total of $446.00 in NSF charges from customers.

This is a commonly tariffed charge for the other LDCs in the state. Staff recommends the Commission should have MGU file a tariff reflecting an NSF charge of $30.00 per occurrence. Staff is not seeking a complaint against MGU due to the immateriality of the amount, and the fact that MGU will file a tariff to correct this problem.

The NSF rate should reflect the underlying costs associated with this service. A typical utility will incur internal and external costs associated with this service.

From 11/28/2005 to 4/18/2006, MGU charged $14.00 per - NSF occurrence. Since 04/18/2006, MGU has charged an NSF rate of $30.00 per-occurrence to its customers. Since 11/28/2005, MGU has charged customers 17 times for NSF.

Staff's imputation of NSF revenues represents a normalization of occurrences over a three-year period. The three-year period was used because those records are available, and reflect the total time that MGU has owned the company. Staff determined six NSF occurrences as its normalized level of NSF revenues.

Staff's overall revenue impact from this charge is $180 on an annual basis.

DISCONNECT / RECONNECTION CHARGE

MGU has not provided enough support for the $20.00 increase to a $40.00 reconnection/disconnection charge; therefore Staff proposes that the rate remains the same.

MGU is now proposing to insert clarifying tariff language indicating that a disconnect is one charge, and a reconnection is a separate charge. This tariff language would codify what MGU is currently practicing. Staff supports this proposed change to the tariff language.

COLLECTION TRIP CHARGES & LABOR RATES

Staff has analyzed MGU's proposed increases to its Collection Trip Charges and the two types of Labor Rates. MGU has not provided the detailed cost support needed to increase the rate for these services; therefore, Staff proposes no rate changes for these services.

SPECIAL METER READING CHARGE

Staff questioned MGU on this issue to determine if any customers incurred a charge for this service. This service is provided when a person moves, and a different party assumes responsibility for gas service at that particular location. MGU performs this function at no charge, whereas other utilities do charge. Staff proposes no change to this issue.

PENALTY CHARGE - INTERRUPTIBLE

Staff questioned MGU on the issue of "Penalty Charge - Interruptible", and has learned that MGU does not have any Interruptible customers at this time.

MGU'S ACCOUNTING MECHANISM FOR MISCELLANEOUS TARIFF CHARGES

MGU does not currently have an accounting mechanism that would allow them to do cost studies and impute the resulting increased miscellaneous revenues that would reflect those cost increases.

In its response to DR 101, MGU states:

> Regretfully MGU did not have an accounting system in place that allowed separate accounting for the Disconnect/Reconnect, Collection Trip and/or Labor Rate Charge MGU is currently outlining a procedure to more accurately represent exactly what activity is being performed and any associated revenue or expenses incurred. This will allow in the future a more uniform and detailed accounting process. MGU expects to have this procedure in place by the start of our next fiscal year beginning April 1, 2008. Response provided by Dave Moody.

This response indicates that MGU is in a transition that, once completed, will allow MGU to clearly identify the costs of each miscellaneous tariff service. This capability will enable the Staff to perform its required analyses of the various miscellaneous revenue charges in future rate cases.

Staff recommends that the Commission require MGU to update its accounting mechanism so an analysis of its miscellaneous revenue charges can be reviewed in future rate cases.

LABOR RATES - PRICES SUBJECT TO CHANGE

The current tariff page (Page 82), addressing Labor Rates, contains the following language: "Prices are subject to change without notice." Staff proposes that this language be deleted from the tariff. Instead, the tariff should contain only current rate data and stated in the tariff. MGU's rates can only change during the rate case process, which includes notice and the opportunity for public comment. It is Staff's understanding that MGU has currently agreed to delete the problematic tariff language.

ADDITIONAL PROPOSED MGU CHANGES TO ITS TARIFF

MGU proposes to introduce a new tariff that will help to lessen the impact on the revenues of the Company from weather-related variations in usage. This tariff would implement a Weather Equalization Revenue Adjustment Rider (WER), detailed on Tariff Sheets 53 through 53A. In that the Staff's proposed SFV rate design would eliminate MGU's exposure to weather-related risk from the weather-sensitive GS class, the Staff does not support the use of a WER.

Staff Expert: Michael J. Ensrud

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the General Rate Increase for Natural Gas Service Provided by Missouri Gas Utility, Inc.	)))	Case No. GR-2008-0060

AFFIDAVIT OF THOMAS A. SOLT

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Thomas A. Solt, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in page(s) 1 to 6; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Thomas G. Solt
Thomas A. Solt

Subscribed and sworn to before me this 31st day of January, 2008.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

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

Susan L. Sundermeyer
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the General Rate Increase for Natural Gas Service Provided by Missouri Gas Utility, Inc.	)))	Case No. GR-2008-0060

AFFIDAVIT OF DANIEL I. BECK

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Daniel I. Beck, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in page(s) 6 to 7; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Daniel I. Beck

Subscribed and sworn to before me this 31st day of January, 2008.

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

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the General Rate Increase for Natural Gas Service Provided by Missouri Gas Utility, Inc.	)))	Case No. GR-2008-0060

AFFIDAVIT OF ANNE E. ROSS

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Anne E. Ross, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report in page(s) 7 to 12; that she has knowledge of the matters set forth in such Report; and that such matters are true to the best of her knowledge and belief.

Anne E. Ross

Anne E. Ross

Subscribed and sworn to before me this 31st day of January, 2008.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

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

Susan L. Sundermeyer

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the General Rate Increase for Natural Gas Service Provided by Missouri Gas Utility, Inc.	)))	Case No. GR-2008-0060

AFFIDAVIT OF MICHAEL J. ENSRUD

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Michael J. Ensrud, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in page(s) 12 to 15; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Michael J. Ensrud

Subscribed and sworn to before me this 31st day of January, 2008.

Notary Public

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

APPENDIX I

STAFF CREDENTIALS

Daniel I. Beck, P.E.
Supervisor of the Engineering Analysis Section of the Energy Department
Utility Operations Division

Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

I graduated with a Bachelor of Science Degree in Industrial Engineering from the University of Missouri at Columbia. Upon graduation, I was employed by the Navy Plant Representative Office in St. Louis, Missouri as an Industrial Engineer. I began my employment at the Commission in November, 1987, in the Research and Planning Department of the Utility Division (later renamed the Economic Analysis Department of the Policy and Planning Division) where my duties consisted of weather normalization, load forecasting, integrated resource planning, cost-of-service and rate design. In December, 1997, I was transferred to the Tariffs/Rate Design Section of the Commission's Gas Department where my duties include weather normalization, annualization, tariff review, cost-of-service and rate design. Since June 2001, I have been in the Engineering Analysis Section of the Energy Department, which was created by combining the Gas and Electric Departments. I became the Supervisor of the Engineering Analysis Section, Energy Department, Utility Operations Division in November 2005.

I am a Registered Professional Engineer in the State of Missouri. My registration number is E-26953.

List of Cases in which prepared testimony was presented by:
DANIEL I. BECK

Company Name	Case No.
Union Electric Company	EO-87-175
The Empire District Electric Company	EO-91-74
Missouri Public Service	ER-93-37
St. Joseph Power & Light Company	ER-93-41
The Empire District Electric Company	ER-94-174
Union Electric Company	EM-96-149
Laclede Gas Company	GR-96-193
Missouri Gas Energy	GR-96-285
Kansas City Power & Light Company	ET-97-113
Associated Natural Gas Company	GR-97-272
Union Electric Company	GR-97-393
Missouri Gas Energy	GR-98-140
Missouri Gas Energy	GT-98-237
Ozark Natural Gas Company, Inc.	GA-98-227
Laclede Gas Company	GR-98-374
St. Joseph Power & Light Company	GR-99-246
Laclede Gas Company	GR-99-315
Utilicorp United Inc. & St. Joseph Light & Power Co.	EM-2000-292
Union Electric Company d/b/a AmerenUE	GR-2000-512
Missouri Gas Energy	GR-2001-292
Laclede Gas Company	GR-2001-629
Union Electric Company d/b/a AmerenUE	GT-2002-70
Laclede Gas Company	GR-2001-629
Laclede Gas Company	GR-2002-356
Union Electric Company d/b/a AmerenUE	GR-2003-0517
Missouri Gas Energy	GR-2004-0209
Atmos Energy Corporation	GR-2006-0387
Missouri Gas Energy	GR-2006-0422
Union Electric Company d/b/a AmerenUE	GR-2007-0003
The Empire District Electric Company	EO-2007-0029/EE-2007-0030
Laclede Gas Company	GR-2007-0208
The Empire District Electric Company	EO-2008-0043

MICHAEL J. ENSRUD

EDUCATIONAL BACKGROUND AND EXPERIENCE

My educational and professional experience is as follows:

I have a Bachelor of Science from Drake University. I attended the NARUC Annual Regulatory Studies Program at Michigan State University. In the regulatory field, I've worked for CompTel Missouri, and CommuniGroup, Inc., Teleconnect, TeleCom* USA, and General Telephone Company of the Midwest in the private sector. In addition, I have four-years of experience with the Iowa Public Utility Board – Iowa's equivalent to the Missouri Commission.

I have filed written testimony and have testified in several cases before Missouri Public Service Commission. Schedule 1 lists the cases where I have filed testimony or otherwise materially participated as a Staff witness before this Commission. I have also filed testimony on behalf of Teleconnect (TeleCom*USA), CompTel of Missouri & CommuniGroup, Inc., various private entities or trade associations as well as other jurisdictions.

Cases that I have testified (or otherwise materially participated) in as a Staff witness:

Atmos Energy Corporation - **GR-2006-0387** - Miscellaneous Rate Issues & Seasonal Reconnection Charge.

Missouri Gas Energy (a Division of Southern Union Company) - **GR-2006-0422** - Miscellaneous Rate Issues & Seasonal Reconnection Charge.

AmerenUE (Union Electric Company) - **GR- 2007-0003** - Miscellaneous Rate Issues & Seasonal Reconnection Charge.

Laclede Gas Company - **GR-2005-0284** - Miscellaneous Rate Issues & Credit Scoring / **GR - 2007-0208** - Miscellaneous Rate Issues & Credit Scoring & Rate Switching Customers

Southern Missouri Natural Gas Company (Southern Missouri Natural Gas Company) - **GE-2005-0189** - Promotional Practices

Empire District Electric Company of Joplin - ER-2006-0315 - Street Lighting

Anne E. Ross

EDUCATION

Bachelor of Science – Business Administration
University of Missouri, Columbia, MO – May 1986

Master of Science – Business Administration
University of Missouri, Columbia, MO – May 1989

PROFESSIONAL EXPERIENCE

Missouri Public Service Commission
Regulatory Economist II
September 1989 – Present

CASE PARTICIPATION

Case Number	Company Name	Testimony Issues
GR-90-50	Kansas Power and Light	Class Cost-of-Service
GR-90-120	Laclede Gas Company	Class Cost-of-Service
GR-90-152	Associated Natural Gas	Class Cost-of-Service
GR-90-198	Missouri Public Service	Class Cost-of-Service
GR-91-249	United Cities Gas Company	Class Cost-of-Service
GR-91-291	Kansas Power and Light	Class Cost-of-Service
GR-92-165	Laclede Gas Company	Class Cost-of-Service
GR-93-42	St. Joseph Light and Power	Class Cost-of-Service
GR-93-47	United Cities Gas Company	Class Cost-of-Service
GR-93-172	Missouri Public Service	Class Cost-of-Service
GR-93-240	Western Resources	Class Cost-of-Service
GR-94-0220	Laclede Gas Company	Class Cost-of-Service
GA-94-0127	Tartan Energy Company	Reviewed Application
GR-95-0160	United Cities Gas Company	Class Cost-of-Service

GR-96-0193	Laclede Gas Company	Class Cost-of-Service
GR-96-0285	Missouri Gas Energy	Class Cost-of-Service
GR-99-0042	St. Joseph Light and Power	Class Cost-of-Service
GR-2002-0356	Laclede Gas Company	Class Cost-of-Service, Large Customer Analysis
GR-2003-517	AmerenUE	Class Cost-of-Service, Large Customer Analysis, Low-Income Customer Assistance
GR-2004-0072	Aquila Networks	Class Cost-of-Service, Large Customer Analysis, Low-Income Customer Assistance
GR-2004-0209	Missouri Gas Energy	Class Cost-of-Service, Large Customer Analysis, Low-Income Customer Assistance
GR-2005-0284	Laclede Gas Company	Class Cost-of-Service, Large Customer Analysis, Low-Income Customer Assistance
GR-2006-0387	Atmos Energy Corporation	Large Customer Analysis, Rate Design, Customer Conservation Programs
GR-2006-0422	Missouri Gas Energy	Large Customer Analysis, Rate Design, Customer Conservation Programs
GR-2007-0003	AmerenUE	Large Customer Analysis, Rate Design, Customer Conservation Programs
GR-2007-0208	Laclede Gas Company	Large Customer Analysis, Rate Design, Low-Income Customer Assistance

Thomas A. Solt

Education

Master's Degree in Public Administration
University of Missouri—Columbia, 1999

Bachelor of Science Degree in Business Administration
University of Missouri—St. Louis, 1987

Professional Certifications

Certified Government Financial Manager, November 1996

Certified Internal Auditor, August 1995

Certified Public Accountant, August 1988

Professional Experience

Missouri Public Service Commission, Jefferson City, MO
1992-1996, Auditor, Accounting Department, Energy Department
1996-1997, Policy Analyst, Federal Telecom Department
1998-Present, Auditor, Energy Department, Telecom Department

Schedule 1
Thomas A. Solt

Company	Case Number	Issue
St. Joseph Light & Power Co.	ER-93-41 & GR-93-42	Payroll, payroll taxes, management incentive plan, 401(k) plan, advertising
Western Resources, Inc.	GR-93-240	Plant-in-service, depreciation reserve, depreciation expense, materials & supplies, prepayments, customer advances, customer deposits, property taxes, and property insurance
The Empire District Electric Co.	ER-94-174	Tariff issues
Missouri Gas Energy	GR-95-33	Recovery of FERC transition costs
Missouri Gas Energy	GR-98-140	Tariff issues
Missouri Universal Service Fund	TO-98-329	USF surcharge
Southwestern Bell Telephone Co.	TT-2000-258	Local Plus availability, ordering, and tariff approval
Southwestern Bell Telephone Co.	TT-2000-667	Local Plus
Ozark Telephone Co.	TT-2001-117 & TC-2001-402	Rate design
Relay Missouri Proceeding	TO-2003-0171	Relay surcharge
Fidelity Telephone Company	IR-2004-0272	Rate design
Missouri Gas Energy	GR-2006-0422	Class cost of service
Union Electric Co. d/b/a AmerenUE	GR-2007-0003	Class cost of service

CLASS COST-OF-SERVICE SUMMARY
MISSOURI GAS UTILITY
CASE NO. GR-2008-0060
TEST YEAR ENDED March 31, 2007, UPDATED THROUGH September 30, 2007

	TOTAL	General Service	Commercial Service	Large Volume Service	Transportation Service
RATE BASE	$3,282,720	$1,778,433	$257,447	$517,309	$729,531
REQUESTED RETURN	7.97%	7.97%	7.97%	7.97%	7.97%
RETURN ON RATE BASE	$261,633	$141,741	$20,518	$41,230	$58,144
O & M EXPENSES	$326,707	$200,725	$22,658	$37,489	$65,835
DEPRECIATION EXPENSE	$91,048	$50,390	$7,082	$13,698	$19,879
AMORTIZATION EXPENSE	$0	$0	$0	$0	$0
EXPLORATION/DEVELOPMENT	$0	$0	$0	$0	$0
LACLEDE PIPELINE/OTHER	$0	$0	$0	$0	$0
TAXES OTHER THAN INCOME	$50,180	$27,426	$3,954	$7,768	$11,031
INCOME TAXES	$82,927	$44,926	$6,504	$13,068	$18,429
TOTAL EXPENSES	$550,862	$323,467	$40,197	$72,023	$115,174
TOTAL C-O-S	$812,495	$465,208	$60,716	$113,253	$173,318
TRUE-UP REVENUE ADJUSTMENT					
C-O-S INCLUDING TRUE-UP	$812,495	$465,208	$60,716	$113,253	$173,318
OTHER REVENUES	$7,917	$4,533	$592	$1,104	$1,689
REQUIRED MARGIN REVENUE	$804,578	$460,675	$60,124	$112,149	$171,629
CURRENT MARGIN REVENUES	$593,503	$278,938	$46,325	$122,922	$145,318
ZERO REVENUE INCREASE PLUG	($211,075)	($120,855)	($15,773)	($29,421)	($45,026)
C-O-S MARGIN REVENUES @ 0%	$593,503	$339,821	$44,351	$82,728	$126,604
REVENUE INCREASE AT	$211,075	$120,855	$15,773	$29,422	$45,026
	$804,578	$460,675	$60,124	$112,149	$171,629
% INCREASE WITH REVENUE INCREASE	35.56%	65.15%	29.79%	-8.76%	18.11%

Attachment A