Exhibit No.:	
Issues:	Rate Design Energy Efficiency Programs
Witness:	Anne E. Ross
Sponsoring Party:	MO PSC Staff
Type of Exhibit:	Surrebuttal Testimony
Case No.:	GR-2009-0355
Date Testimony Prepared:	October 14, 2009

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

ANNE E. ROSS

MISSOURI GAS ENERGY

CASE NO. GR-2009-0355

Jefferson City, Missouri
October 2009

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy and Its Tariff Filing to Implement a General Rate Increase for Natural Gas Service	)))	Case No. GR-2009-0355

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 following Surrebuttal Testimony in question and answer form, consisting of 5 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; 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 14th day of October, 2009.

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

SURREBUTTAL TESTIMONY

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ANNE E. ROSS

MISSOURI GAS ENERGY

CASE NO. GR-2009-0355

Q. Please state your name and business address.

A. My name is Anne E. Ross and my business address is Missouri Public Service Commission, P. O. Box 360, Jefferson City, Missouri, 65102.

Q. Are you the same Anne E. Ross that contributed to the Staff Revenue Report (Staff Revenue Requirement Report) filed August 21, 2009, the Staff Cost-of-Service and Rate Design Report (Staff COS Report) filed on September 3, 2009, and filed Rebuttal Testimony on September 25, 2009?

A. I am.

1. Rate Design

Q. On pages 12 and 13 of her rebuttal testimony, Ms. Meisenheimer compares a seasonal rate differential with a flat volumetric rate, and makes the claim that the two different rate designs "achieve a similar outcome." What are your comments regarding this comparison?

A. In some situations, the two rate designs will produce a similar result, but for completely different reasons. In other situations, the two rate designs will produce different results. The traditional rate design that The Office of Public Council (OPC) supports for residential customers is different than the seasonal rate design that Mr. Johnstone is advocating for his customers; in fact, Mr. Johnstone argues against the Large

Volume Service (LVS) customers having a rate design similar to the traditional Residential rate design.

Q. How does a traditional rate design impact a customer's bill?

Q. With a traditional rate design, the amount the customer pays depends entirely on the amount they use. Their pattern of usage does not matter, as the rate is the same year round.

Q. How does a seasonally differentiated rate design impact a customer's bill?

A. With a seasonal differential, the amount of gas a customer consumes impacts the bill, as each unit of usage is multiplied times some per-unit rate. In addition, the customer's *pattern* of usage affects the bill, since the per-unit rate is different in the winter vs. non-winter months.

The two rate designs will result in higher winter bills if the customer has more usage in the winter than in the non-winter months. If the customer's usage is higher during the non-winter months, the two rate designs will produce opposite results.

Q. Ms. Meisenheimer notes a measure of demand is used to allocate some of Missouri Gas Energy (MGE or Company) costs between its customer classes, then relies on that to support *intra*-class subsidies based on usage. (Meisenheimer, Rebuttal, page 13, lines 1-5) Do you agree with this approach?

A. No. The goal of establishing reasonably homogeneous classes of customers is to limit both inter- and intra- class subsidies. Allocators such as coincident or non-coincident demand are appropriate to use to allocate costs <u>between</u> customer classes, but not <u>within</u> rate classes. To the greatest extent possible, rate classes are composed of customers who are similar in terms of size and usage patterns. As

customers become larger and more diverse, it becomes more difficult to group them according to similar size and usage patterns. These more diverse customers are placed in larger, less homogeneous groups, and rates are designed in a more complex manner. For example, when customers within a class have very different levels of demand, to eliminate subsidies, this might be reflected by using a Demand Charge to collect some of the class' revenues.

The difference in demand for a majority of residential customers is a few hundred Ccfs, while the difference in demand for the LVS customers can be as much as 50,000 Ccfs.

The difference between two individual Residential or two Small General Service (SGS) customers' size and/or usage patterns is comparatively small. In the past we have not attempted to include a demand component in rate design for these customers, and do not propose one in this case.

Q. Does any Missouri Local Distribution Company (LDC) have a demand charge for its residential or SGS customers?

A. No.

Q. Ms. Meisenheimer (Rebuttal, page 17, lines 9-10) states that under the straight fixed variable (SFV) rate design "low use customers pay substantially more whether or not they need the same level of service" as high use customers. What are your comments on this statement?

A. There is only one level of service for residential customers - access to the natural gas distribution system. This service allows a residential customer to consume the

amount of natural gas that they wish and to consume it whenever they wish, and provides the billing and customer service for the commodity.

The factor that differs among Residential customers is the actual amount of gas used, and the charge for that is collected in the variable portion of SFV which is the amount of gas consumed.

Q. Do you have any clarifications regarding your rebuttal testimony regarding MGE's energy efficiency program?

A. Yes. On page five of my rebuttal testimony, I stated that "…a single [collaborative] member's opposition would stop a program and this led to gridlock." During the collaborative process, I do not specifically recall a single member stopping a program by objecting to it. However, with unanimous consent required, this result is not an impossibility.

This statement should have read"…a single [collaborative] member's opposition could prevent recommended changes from being implemented, and this could lead to gridlock."

Q. Do you have any comments on OPC witness Ryan Kind's testimony?

A. I do. I would like to point out that, while Mr. Kind claims that "…MGE has experienced a great amount of difficulty in designing and delivering energy efficiency programs to its residential customer over the last couple of years," (Kind, Rebuttal, p. 2, lines 14-15, he does not include the other decision-making members of the collaborative – OPC, Department of Natural Resources (DNR) and Staff.

Q. Why is it appropriate that all participants be recognized when discussing the results of MGE's efficiency programs?

A. MGE's proposals could be blocked by any other member since decisions had to be unanimous or programs could not be implemented.

Q. How are the other collaborative groups set up?

A. With the exception of the Atmos Natural Gas collaborative, the stakeholders in energy efficiency collaborative do not have veto capability in collaborative decisions; rather, their role is advisory. Limiting stakeholders to an advisory role will avoid a potential conflict in interest when Staff, OPC or DNR must subsequently critique programs they had discretionary control in setting up.

As recommended in Staff witness Dr. Henry Warren's rebuttal testimony, Staff believes that this group should be advisory.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.