

Exhibit No.:  
Issues: Rate Design  
Witness: Daniel I. Beck  
Sponsoring Party: MoPSC Staff  
Type of Exhibit: Surrebuttal Testimony  
Case No.: GR-2014-0007  
Date Testimony Prepared: April 3, 2014

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**

**SURREBUTTAL TESTIMONY**

**OF**

**DANIEL I. BECK**

**MISSOURI GAS ENERGY**

**CASE NO. GR-2014-0007**

*Jefferson City, Missouri*  
*April 2014*

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Missouri Gas Energy, )  
Inc.'s Filing of Revised Tariffs to Increase )  
its Annual Revenues for Natural Gas )

Case No.: GR-2014-0007

**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 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 him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

  
\_\_\_\_\_  
Daniel I. Beck

Subscribed and sworn to before me this 3<sup>rd</sup> day of April, 2014.

LAURA BLOCH  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: June 21, 2015  
Commission Number: 11203914

  
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Notary Public

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**SURREBUTTAL TESTIMONY**

**OF**

**DANIEL I. BECK**

**MISSOURI GAS ENERGY**

**CASE NO. GR-2014-0007**

10 Q. Please state your name and business address.

11 A. Daniel I. Beck and my business address is Missouri Public Service  
12 Commission, P.O. Box 360, Jefferson City, Missouri, 65102.

13 Q. Are you the same Daniel I. Beck that contributed as a witness to the Missouri  
14 Public Service Commission's Staff's ("Staff's") Class-Cost-of-Service and Rate Design  
15 Report ("Staff CCOS Report") filed on February 7, 2014?

16 A. Yes.

17 Q. What is the purpose of your surrebuttal testimony?

18 A. The purpose of this testimony is to respond to The Office of the Public  
19 Counsel's ("OPC's") witness Barbara A. Meisenheimer's Rebuttal testimony filed in this  
20 case.

21 Q. Please summarize your testimony.

22 A. Staff maintains that the current Straight Fixed variable ("SFV") rate design,  
23 which has been in effect for over 7 years, should continue to be used for the residential  
24 ("RES") and Small General Service Classes ("SGS").

25 Q. Ms. Meisenheimer discusses health concerns and states that a rate design that  
26 places more cost responsibility on low-income households increases threats to public safety.

27 (See page 8, line 3 and continuing to page 10, line 4.) Do you agree?

1           A.     No, though I agree that health concerns are relevant. Ms. Meisenheimer's  
2 discussion offers no distinctions between the various rate design proposals and their effect on  
3 health.

4           Q.     Have you identified any cost differences between the various rate designs that  
5 could have health effects?

6           A.     Yes, however to do so requires additional preliminary work not done by any  
7 party in this case. Before an analysis of the health effects can be undertaken, normalized sales  
8 are needed to develop a rate design that includes a volumetric charge. No party sponsored  
9 normalized sales for the residential class in this case. In order to approximate the billing units  
10 needed for Ms. Meisenheimer's proposed volumetric rate design, Staff used a value from the  
11 previous MGE rate case, Case No. GR-2009-0355, of 837 Ccfs for an average residential  
12 customer. (While this level of CCFs is reasonable for illustrative purposes, Staff cannot  
13 endorse using a value from the 2009 rate case to set rates in this case.)

14          Q.     And what did your analysis show?

15          A     For a residential customer that has average usage, there is no cost difference  
16 between the SFV rate design and OPC's rate design. However, as Ms. Meisenheimer  
17 correctly points out, health risks are influenced by cold weather. If the same comparison is  
18 made for the 5 months from November through March, the results show that a residential  
19 customer with average usage will pay more using OPC's rate design than the customer would  
20 pay under the SFV rate design. This is because the average residential customer uses 75%  
21 (628 CCFs/837CCFs) of their annual gas usage during these five winter months. Specifically,  
22 the SFV rate design would collect \$134.40 (\$26.88 x 5 months). Compare this lower amount  
23 to the \$175.95 that customers would pay under OPC's volumetric rate design. (\$175.95

1 (\$16.50 x 5 + \$0.1488 x 628). This means that customers will pay an additional service  
2 charge of \$41.45 over 5 months under OPC's proposal. Staff contends that this additional  
3 \$41.45 service charge hurts customers because they must pay it when gas bills are at their  
4 highest.

5 Q. How much less gas would a customer need to use in the winter months to  
6 defray the \$41.45 of additional non-gas costs imposed by OPC's volumetric rate design over  
7 the SFV rate design?

8 A. The customer would have to eliminate 279 Ccfs of gas usage (at \$0.1488 per  
9 Ccf) in order to pay the increased cost of \$41.45. This means that a residential customer's  
10 winter usage would need to be 44% less than the average residential customer in order to  
11 defray paying the \$41.45 over the 5 month period.

12 Q. Ms. Meisenheimer discusses Staff's Class Cost of Service ("CCOS") and the  
13 concept of cost causation. (On page 12, line 1 and continuing through page 16, line 4.) What  
14 is your response to this discussion?

15 A. Because OPC did not perform a CCOS study in this case, OPC's discussion is  
16 inapplicable and at best theoretical. Staff was the only party that filed a CCOS in this case.  
17 In my experience, having multiple CCOS studies sponsored by different parties provides the  
18 Commission with the best information about areas of agreement and disagreement. Second, a  
19 CCOS is only a part of the information that should be relied on to determine a rate design.

20 Q. Ms. Meisenheimer also discusses the testimony of Staff witness Dr. Michael  
21 Proctor in his Surrebuttal Testimony in an old Laclede Gas rate case, Case No. GR-2002-  
22 0356. (On page 16, line 5 through page 16, line 18,) Are you familiar with Dr. Proctor's  
23 testimony?

1 A. Yes. I filed Direct, Rebuttal, and Surrebuttal in that case.

2 Q. Is Dr. Proctor's testimony in the 12 year old Laclede rate case relevant to this  
3 case?

4 A. No. In that case, Laclede initially proposed a weather mitigation rate design.  
5 At that time Staff was exploring other ways to address some of the issues raised by a weather  
6 mitigation rate design. Based on numerous internal Staff meetings at that time and meetings  
7 with the parties to that case, Dr. Proctor sponsored the testimony that Ms. Meisenheimer  
8 quotes. However, the rate design that was previously in place during the 2002 case was a  
9 traditional volumetric rate design with a \$12 Residential customer charge. The impacts that  
10 were the subject of Dr. Proctor's quotes are entirely different than the impacts that would  
11 occur today in this MGE case because MGE has had a SFV rate design in place for the  
12 Residential class for over 7 years. In addition, there have been significant changes in the  
13 natural gas world since 2002.

14 Q. Ms. Meisenheimer states that usage varies significantly within the Residential  
15 Customer Class. (Page 16, line 19 through page 17, line 9.) Do you agree?

16 A. No. The residential Class is homogenous because usage levels vary little  
17 between customers and because the same equipment is used to serve each customer. If OPC  
18 believes that the differences in usage are "significant", OPC should recommend new customer  
19 classes that better reflect their cost of service.

20 Q. OPC discusses the traditional customer charge calculation that is in Staff's  
21 CCOS Study workpapers but was not presented by Staff. (Page 17, line 10 through page 19,  
22 line 4) What is your opinion of this calculation?

1           A.     I have been working with Staff's CCOS spreadsheet for over 20 years. While  
2 this spreadsheet has had minor changes over the years, the method of capturing costs reflected  
3 in the spreadsheet has not changed. The method to determine the traditional customer charge  
4 calculation in the spreadsheet is a feature that has not been used or updated for several years  
5 by Staff and should not be relied on by OPC. Second, the traditional customer charge  
6 calculation in this spreadsheet relied upon by OPC does not include any cost of distribution  
7 mains. To account for the cost of mains, Staff has in the past separately added costs of the  
8 mains into the customer charge. Because distribution mains, Account 376, make up nearly  
9 half of the rate base for MGE, any calculation of a traditional customer charge without  
10 including any of the cost of mains does not reflect MGE's true cost of service. Therefore,  
11 OPC's reliance on the \$9.72 customer charge from the spreadsheet is inappropriate.

12           Q.     Does this conclude your surrebuttal testimony?

13           A.     Yes, it does.