

Exhibit No.:
Issues: Class Cost-of-Service
Rate Design
Witness: Kim Cox
Sponsoring Party: MO PSC Staff
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MISSOURI PUBLIC SERVICE COMMISSION

**REGULATORY REVIEW DIVISION
Tariff, Safety, Economic & Engineering Analysis**

DIRECT TESTIMONY

OF

KIM COX

MISSOURI GAS ENERGY

CASE NO. GR-2014-0007

*Jefferson City, Missouri
February 7, 2014*

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1 report was prepared by various Staff members. The “report” approach to the case filing
2 minimizes the number of Staff witnesses required to file direct testimony and provides for a
3 clearer presentation of the Staff’s CCOS, rate design, and tariff changes.

4 **CLASS COST-OF-SERVICE**

5 Q. What is the purpose of Staff’s CCOS?

6 A. The purpose of Staff’s CCOS is to provide the Commission with a measure of
7 relative class cost responsibility for the overall revenue requirements of MGE. For individual
8 items of cost, the responsibility of a certain class of customers to pay that cost can be either
9 directly assigned or allocated to customer classes using reasonable methods for determining
10 the class responsibility for that item of cost. The results are then summarized so that they can
11 be compared to revenues being collected from each class on current rates. The difference
12 between a particular customer class’ costs responsibility and the revenues generated by that
13 customer class is the amount that class is either subsidizing (revenues greater than costs) the
14 other classes are being subsidized (revenues less than costs).

15 Q. What is the Staff’s recommendation on CCOS?

16 A. The Staff is recommending no shifts in revenue responsibility between MGE
17 classes. Each class would receive an equal share of any increase or decrease in rates.

18 **RATE DESIGN**

19 Q. What is rate design?

20 A. Rate design is the assignment of rates to each customer class and is based on
21 the Staff’s CCOS and other relevant factors to this case.

22 Q. What is Staff’s position regarding the rate design issue?

1 A. Staff is proposing to maintain the Straight Fixed Variable (“SFV”) rate for the
2 Residential class and the Small General Services (“SGS”) class. The SFV collects all non-gas
3 costs in a flat, fixed monthly/delivery charge. The charge is the same for all residential
4 customers and all SGS customers in their respective classes. Staff is recommending
5 conservation measures that are to be used in concert with the SFV rate design proposal as
6 outlined in the Staff report.

7 Staff recommends that each component of MGE’s Large General Service (“LGS”),
8 Large Volume Service (“LVS”) and Transportation Service non-gas tariffed rates increase by
9 the same percentage as MGE’s non-gas revenue requirement percentage increase. Staff is not
10 proposing the SFV rate design for these customer classes.

11 **MISCELLANEOUS TARIFF ISSUES**

12 Q. What is the Staff position on MGE’s proposed Red Tag Program?

13 A. Staff supports the red tag portion but recommends that any cost incurred for
14 the low-income portion of the red tag program be booked to a regulatory asset. MGE is
15 proposing a program that is known as a Red Tag Program. This program allows MGE
16 personnel to perform small repair work for customers who have the need for such services in
17 their houses relating to natural gas usage. Laclede Gas currently has such a program in place.

18 Q. What is Staff’s position relating to MGE’s energy efficiency programs?

19 A. Staff supports the continued use of the energy efficiency programs MGE
20 currently has in effect.

21 **SCHOOL TRANSPORTATION CUSTOMERS-CAPACITY RELEASE** 22 **REQUIREMENTS**

23 Q. Does Staff propose any tariff changes to MGE’s School Transportation
24 Customers?

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1 A. Yes. Staff is proposing that MGE revise its SGS, LGS and STP tariff sheets to
2 clarify the capacity release requirements for schools that are SGS customers and LGS
3 customers.

4 **GAS SUPPLY INCENTIVE PLAN**

5 Q. What is the Staff's position on the Gas Supply Incentive Plan ("GSIP")?

6 A. Staff recommends that MGE keep the existing Purchased Gas Adjustment
7 ("PGA") without a related GSIP.

8 **STAFF'S CLASS COST-OF-SERVICE REPORT**

9 Q. Please identify the Staff witness responsible for addressing each area in the
10 Report.

11 A. The Staff witness for each listed issue is as follows:

<u>Issue</u>	<u>Staff Witness</u>
12 Class Cost of Service and Rate Design	Joel McNutt
13 Allocators	Dan Beck
14 Peak Usage	Michelle Bocklage
15 Miscellaneous Tariff Issues	Tom Imhoff
16 School Transportation Customers-Capacity	
17 Release Requirements	Lesa Jenkins
18 Gas Supply Incentive Plan	Dave Sommerer

20 Q. Does this conclude your direct testimony?

21 A. Yes it does.