LAW OFFICES
BRYDON, SWEARENGEN & ENGLAND
PROFESSIONAL CORPORATION
312 EAST CAPITOL AVENUE
P. O. BOX 456
JEFFERSON CITY, MISSOURI 65102-0456
TELEPHONE (573) 635-7166
FACSIMILE (573) 635-3847
E-MAIL: DUFFY@BRYDONLAW.COM

DAVID V.G. BRYDON
JAMES C. SWEARENGEN
WILLIAM R. ENGLAND, III
JOHNNY K. RICHARDSON
GARY W. DUFFY
PAUL A. BOUDREAU
SONDRA B. MORGAN
CHARLES E. SMARR

DEAN L. COOPER
MARK G. ANDERSON
TIMOTHY T. STEWART
GREGORY C. MITCHELL
BRIAN T. MCCARTNEY
DALE T. SMITH
BRIAN K. BOGARD

OF COUNSEL
RICHARD T. CIOTTONE

May 31, 2001

Mr. Dale Hardy Roberts
Executive Secretary
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No. GR-2001-292
Missouri Gas Energy

Dear Mr. Roberts:

Enclosed for filing in the above-referenced proceeding on behalf of MGE please find an original and eight copies of the following documents:

- revised pages to the rebuttal testimony of MGE witness F. Jay Cummings and a revised Schedule FJC-1

- supplemental rebuttal testimony of Michael R. Noack and revised schedule MGN-2.

These revisions are necessary to properly reflect the impact on MGE's revenue deficiency of the Stipulation and Agreement filed with the Commission on May 29, 2001, and also to reflect the impact of a lack of agreement on a level of capacity release and off-system sales to impute in the revenue requirement.

If you have any questions, please give me a call.

Sincerely yours,

Gary W. Duffy

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will explain the Company's recommendation on OPC's proposal to implement a tariffed rate for low-income, troubled-payment customers.

1. REVENUE ADJUSTMENTS AND RATE DESIGN

Q. WHICH PARTIES PROPOSE REVENUE ADJUSTMENTS IN THIS PROCEEDING?

A. The Staff developed comprehensive revenue adjustments pertaining to a number of items, and the OPC proposed revenue adjustments pertaining to off-system sales and capacity release. No other party proposed any revenue adjustments.

Q. HAS AN AGREEMENT BEEN REACHED ON REVENUE ADJUSTMENTS?

A. It is my understanding that an agreement has been reached on all revenue adjustments, with the exception of adjustments proposed by the Staff and OPC pertaining to off-system sales and/or capacity release. The agreed-to revenue adjustments are listed on Schedule FJC-1.

Q. PLEASE EXPLAIN THE $1,080,734 REVENUE ADJUSTMENT PERTAINING TO MISCELLANEOUS SERVICE CHARGES?

A. The purpose of this adjustment is to recognize the increased revenue expected from the agreed-to, revised service charges (i.e., connect fee, standard reconnect fee, transfer fee, reconnect at the curb fee, and reconnect at the main fee), thereby reducing the amount of revenue that must be derived from recurring monthly service. The agreed-to service charges are as follows:

Connect fee	$ 20
Reconnect fee (except at the curb And at the main)	$ 35
Reconnect at the curb fee	$ 56
Reconnect at the main fee	$106
Transfer fee	$ 5

By collecting some or all of the costs associated with providing these services from individuals causing those costs to be incurred, those costs are not included in the rates for recurring monthly service, i.e., customer charges and volumetric rates for the various customer classes.

Q. PLEASE EXPLAIN THE PARTIES' SETTLEMENT PERTAINING TO RATE DESIGN.

A. The parties have agreed to the following monthly customer charges:

Residential	$ 10.05
Small General Service ("SGS")	$ 13.55
Large General Service ("LGS")	$ 83.25
Large Volume Service ("LVS")	$409.30

Current customer charges are $9.05 for the residential class, $11.05 for the SGS class, $65.80 for the LGS class, and $409.30 for the LVS class. The current tariff provision pertaining to LVS customer changes for multiple meter installations remains in effect.

OPC witness Hu proposes a tariff change through which service at a single meter premise, such as an apartment, where the individual responsible for paying the bill does not reside at the premise would be billed under the residential rate schedule rather than the SGS rate schedule. The parties agree that the Company will conduct a special, detailed study to enable identification and quantification of the elements of the revenue shift that would be associated with OPC's proposal and will make this information available as part of its next general rate case filing. No party has given up any rights with respect to positions that it may take on this matter in a future proceeding.

2. CLASS COST OF SERVICE AND REVENUE ALLOCATION

Q. DO YOU HAVE ANY GENERAL OBSERVATIONS ON THE PARTIES' CLASS COST OF SERVICE STUDY RESULTS?

A. Yes. The results of the parties' class cost of service studies confirm my direct testimony (lines 18-21, page 9) which indicated that class cost of service study findings tend to vary widely among analysts and do not provide clear guidance to the decision-maker. The cost of service study results of the Staff, OPC and Midwest Gas Users' Association ("MGUA") <u>based on the assumption of no revenue increase</u> are shown below:

	Residential	Small General Service	Large General Service	Large Volume Service
Staff	$2,942,878	($2,396,407)	($782,184)	$ 235,956
OPC	312,393	(2,555,937)	(634,299)	2,877,803
MGUA	6,293,839	(2,383,676)	(796,853)	(3,113,310)

The results are dramatically different, especially with respect to the residential and large volume service ("LVS") classes. The Staff study results in a fairly sizable increase for the residential class and a small increase for the LVS class. The OPC study results in a small increase for the residential class and a very sizable increase for the LVS class. In sharp contrast, the MGUA study results in a sizable residential increase and a very sizable LVS decrease.

Q. DO YOU HAVE ANY OBSERVATIONS PERTAINING TO THE PARTIES' RECOMMENDATIONS ON ALLOCATION OF THE REVENUE INCREASE AMONG CUSTOMER CLASSES?

A. The Company, OPC, and MGUA provide class revenue allocation recommendations; the Staff did not propose a revenue allocation because it recommended no overall revenue increase in its direct testimony. The parties' class revenue allocation recommendations based on the Company's as-filed revenue increase of $39,882,006 are as follows:

	Residential	Small General Service	Large General Service	Large Volume Service
OPC	$27,570,599	$6,624,945	$457,965	$5,227,600
MGUA	35,272,530	5,255,240	(53,001)	(502,137)
MGUA Alt.	34,717,392	5,225,240	0	0
Company	27,773,036	7,952,423	884,199	3,271,212

The differences between OPC and MGUA again focus on residential versus LVS revenue changes. The Company's recommendation lies between the two, but accomplishes moderation in increases to both the residential and LVS classes through larger increases in SGS and LGS revenues than proposed by either of the other parties.

Q. DOES THE COMPANY PROPOSE ANY CHANGES IN ITS CLASS REVENUE ALLOCATION RECOMMENDATION?

A. No, the Company continues to believe that the recommendation provided in my direct testimony is reasonable. However, in an effort to bring the parties closer together, the Company proposes an alternative recommendation for the Commission's consideration. This alternative would spread the first $5,000,000 of required revenue increase to the residential, SGS, and LGS classes proportionately to their as adjusted test year revenues. The remainder of the required revenue increase would be spread to all classes proportionately to their as adjusted test year revenues.

The following table provides a comparison between the Company's initial class revenue allocation recommendation and this alternative based on the Company's revised $38,831,388 revenue deficiency that reflects the agreements reached during the prehearing conference, including the agreed-to revenue adjustments discussed in my rebuttal testimony:

	Residential	Small General Service	Large General Service	Large Volume Service
Recommendation	$26,972,816	$7,838,777	$857,195	$3,162,601
Alternative	$27,280,758	$7,928,271	$866,981	$2,755,378

Company witness Noack discusses the revised revenue deficiency in his rebuttal testimony.

Schedule FJC-1
Revised

Summary of Settled Revenue Adjustments

	Dollars
Weather - Sales Service	$ 4,710,952
Days Adjustment	$ 40,346
Growth	$ 2,003,065
LVS Weather and December Adjustment	$ 118,494
Flex Rate Customers/Customer Loss	$ (388,739)
Economic Development	$ (14,312)
Non-Jurisdictional	$ (68,552)
Switching and Customer Deletion	$ (38,934)
Miscellaneous Service Charges (1)	$ 1,080,734
Total	$ 7,443,054

(1) Revenue adjustment predicated on implementing the following miscellaneous service charges:

Reconnect (except at the main and at the curb)	$ 35
Reconnect at the curb	$ 56
Reconnect at the main	$ 106
Connect	$ 20
Transfer	$ 5