

Exhibit No.: _____

Issue(s):

Witness/Type of Exhibit:

Sponsoring Party:

Case No.:

Cost of Service Study

Busch/Rebuttal

Public Counsel

GR-2001-292

**REBUTTAL TESTIMONY
OF**

JAMES A. BUSCH

FILED
MAY 22 2001
Missouri Public
Service Commission

Submitted on Behalf of the Office of the Public Counsel

MISSOURI GAS ENERGY

Case No. GR-2001-292

May 22, 2001

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

In the matter of tariff revisions of Missouri Gas)
Energy, a division of Southern Union Company,)
designed to increase rates for natural gas service)
to customers in the Missouri service area of the)
company.)

Case No. GR-2001-292

AFFIDAVIT OF JAMES A. BUSCH

STATE OF MISSOURI)

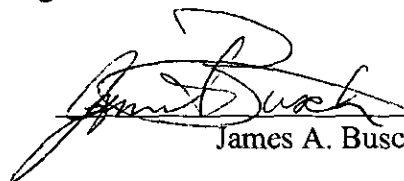
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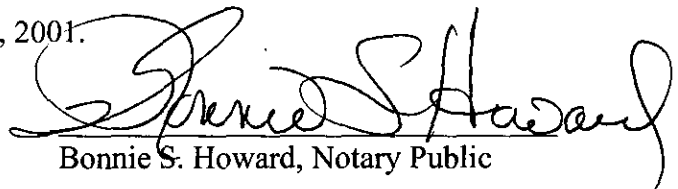
COUNTY OF COLE)

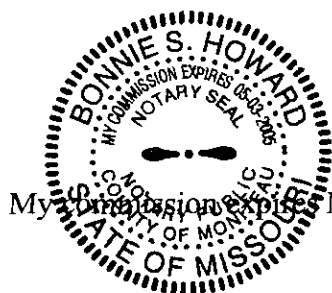
James A. Busch, of lawful age and being first duly sworn, deposes and states:

1. My name is James A. Busch. I am the Public Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony consisting of pages 1 through 3 and Schedule JAB-Reb1.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


James A. Busch

Subscribed and sworn to me this 22nd day of May, 2001.


Bonnie S. Howard, Notary Public



My Commission Expires May 3, 2005.

REBUTTAL TESTIMONY

OF

JAMES A. BUSCH

CASE NO. GR-2001-292

MISSOURI GAS ENERGY

Q. Please state your name and business address.

A. My name is James A. Busch and my business address is P. O. Box 7800, Jefferson City, MO 65102.

Q. Are you the same James A. Busch who filed direct testimony in this case?

A. Yes I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address some of the cost of service (COS) issues raised in the direct testimony of Missouri Gas Users' Association's (MGUA) witness Mr. Charles Laderoute.

Q. On page 18 of his direct testimony, Mr. Laderoute states that LVS customers should bear none of the costs associated with gas inventory. Do you agree with this statement?

A. No. Mr. Laderoute points out in his testimony that LVS customers can be either transportation customers or sales customers according to MGE tariffs. Attached to my testimony is Schedule JAB-Reb1 that is MGE's tariff indicating this fact. If a LVS customer decides to switch from transport only to sales, it would have the right to stored natural gas like any residential, SGS, or LGS customer.

1 Storage is also used for system reliability. This is the same reliability that
2 transport customers need to ensure the deliverability of their required volumes.
3 Therefore, allocating some of these costs to the LVS class is appropriate. As Mr.
4 Laderoute points out on page 4, lines 14 – 17 of his direct testimony, “As such, **all**
5 gas users, whether a sales customer who relies on MGE to provide commodity gas
6 or a transportation customer who procures their own commodity gas, rely on
7 MGE to provide a delivery service.” (emphasis added)

8 Q. Are there currently any LVS customers that are sales customers?

9 A. Yes. At this time there is one customer in the LVS class that receives sales
10 service.

11 Q. Does Mr. Laderoute take this customer into account?

12 A. No. Mr. Laderoute acknowledges that there is one LVS customer that is taking
13 sales service, however he still does not allocate any gas inventory to the LVS
14 class.

15 Q. Mr. Laderoute on page 48 of his direct testimony states that he allocated Sales
16 Expense solely to sales customers. Is this an appropriate allocation?

17 A. Generally, advertising expense utilized to add customers to MGE’s system are
18 accounted for in these accounts. I have submitted a data request to MGE to verify
19 exactly what expenses are assigned to the sales expense category. And as noted
20 in Mr. Laderoute’s direct testimony, LVS customers can be either sales or
21 transport customers. Therefore, any expense that is used to acquire more
22 customers should be allocated to each class.

1 Q. On page 8 of his supplemental direct testimony, Mr. Laderoute, in modification 2,
2 assigned \$1,252,326 of payroll costs for gas supply completely to sales customers.

3 Is this appropriate?

4 A. Generally, gas supply personnel not only work to acquire supplies of natural gas,
5 but they also work to make sure that MGE has sufficient capacity to deliver
6 natural gas to all customers. Therefore, these costs need to be assigned to all
7 classes.

8 Q. Does this conclude your rebuttal testimony at this time?

9 A. Yes it does.

Missouri Gas Energy,
a Division of Southern Union Company

For: All Missouri Service Areas

LARGE VOLUME SERVICE
LV

Missouri Public
Service Commission

AVAILABLE

REC'D AUG 28 1998

At points on the Company's existing distribution facilities located in the communities specified in the Index.

APPLICABLE

To natural gas service supplied to commercial and industrial customers whose natural gas requirements at a single address or location the Company expects will exceed 15,000 Ccf in any one month of a 12 month billing period. Service to such customers shall be subject to a contract between the customer and the Company, in the form of Sheet Nos. 50 through 53, as applicable, unless otherwise authorized by state law.

Customers receiving service under this schedule whose maximum monthly requirement at a single address or location has exceeded 15,000 Ccf during the most recent 12 month period ended February, or the Company expects will exceed 15,000 Ccf in the following contract year will retain their eligibility for this rate for the following contract year beginning November 1. Any customer failing to meet this requirement shall become ineligible for this rate at the end of the current contract year and will be served under the applicable rate schedule for such reduced requirement until such time as the customer may re-qualify for service hereunder in accordance with the above paragraph.

For purposes of this schedule, a single address or location is defined as the customer's contiguous premises, including streets, alleys and other rights of way, within an area completely surrounded by property owned by others.

When more than one meter is set at a single address or location for the customer's convenience, an LVS customer charge shall be assessed for each of the first two meters. For each such remaining installed meter, customer charges will be computed at 50 percent of the LVS customer charge. Gas delivered through all meters set at a single address or location will be aggregated for the purpose of calculating the monthly sales or transportation charges.

DATE OF ISSUE August 28 1998
month day year

DATE EFFECTIVE SEP 02 1998
month day year

ISSUED BY: Charles B. Hernandez

Director, Pricing and Regulatory Affairs

Missouri Gas Energy, Kansas City, MO. 64111

Missouri Public
Service Commission
98-128

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Schedule
JAB-Reb1

Missouri Gas Energy,

a Division of Southern Union Company

For: All Missouri Service Areas

LARGE VOLUME SERVICELVMissouri Public
Service Commission

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Each customer meeting the eligibility requirements of this schedule shall give the Company 12 months written notice before switching from a general sales service rate schedule to this schedule, unless the customer has paid the Company a charge designed to reimburse the Company for any costs which have been incurred to provide sales service to the customer and which cannot be avoided or recouped through other reasonably available means. Such costs may include interstate pipeline charges for storage and transportation and higher gas costs because of a decrease in purchase volumes. Customers must give the Company 12 months written notice to switch from the transportation service to a general sales service rate schedule, unless sales gas is otherwise available and the customer has paid the Company the incremental cost of providing such service in the period prior to when such notice would have otherwise become effective. Such costs may include incremental pipeline transportation and storage capacity and higher gas supply costs.

CONTRACT DEMAND OPTION

1. To the extent permitted by the Company's gas sales and transportation agreements, initial Contract Demand levels will be accepted at any time and will continue through October 31 of the current year. Customers receiving service hereunder may elect to amend their Contract Demand level effective on each November 1 with at least 180 days prior written notice to the Company. Failure by an existing transportation customer to make a Contract Demand election at the required time shall be sufficient cause for the Company to extend that existing Contract Demand level for the following year. Increases in the Contract Demand level may be made only with approval of the Company which shall not be withheld if (1) the net change by all customers eligible to specify Contract Demand levels results in a decreased requirement for such gas large enough to accommodate the requested increase or (2) the net change results in an increased requirement and the Company is able to secure a sufficient gas supply and/or transportation capacity of gas to meet such increased requirements.

Missouri Public
Service Commission

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DATE OF ISSUE August 28 1998
month day yearDATE EFFECTIVE SEP 02 1998
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ISSUED BY: Charles B. Hernandez

Director, Pricing and Regulatory Affairs

Missouri Gas Energy, Kansas City, MO. 64111

Missouri Gas Energy,
a Division of Southern Union Company

For: All Missouri Service Areas

LARGE VOLUME SERVICE

LV

Missouri Public
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If the Company is unable to secure a sufficient gas supply and/or transportation capacity for this purpose, the added gas supply and/or transportation capacity, if any, will be allocated among the customers requesting an increase in their Contract Demand level based on the proportion each customer's requested increase bears to the total increase requested by all customers.

2. The Company shall be bound only to provide natural gas to satisfy the customer's Contract Demand level to the extent a supply of natural gas is available in quantities sufficient to provide such gas without jeopardizing service to higher priority customers according to the Company's priority of service schedule contained in its General Terms and Conditions and the Company shall not be liable for loss or damage to the customer in the event of curtailment of gas supply. In such event, the Company may require the customer to curtail its usage below its Contract Demand. In the event that the customer, after such notice, fails to conform its usage to the level specified by the Company, it shall be liable for all applicable Unauthorized Use Charges as set forth in the Transportation Provisions (TRPR) schedule. The customer shall be responsible for establishing and maintaining alternate fuel burning facilities adequate, in the customer's sole judgment, to prevent loss or damage to the customer in the event of curtailment of gas supply.

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ISSUED BY: Charles B. Hernandez

Director, Pricing and Regulatory Affairs

Missouri Gas Energy, Kansas City, MO. 64111