Exhibit No.:	
Issue:	Cost of Service, Rate Design
Witness:	Daniel I. Beck
Sponsoring Party:	MoPSC Staff
Type of Exhibit:	Surrebuttal Testimony
Case No.:	GR-2001-292
Date Testimony Filed:	June 12, 2001

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

DANIEL I. BECK

MISSOURI GAS ENERGY

A DIVISION OF SOUTHERN UNION COMPANY

CASE NO. GR-2001-292

Jefferson City, Missouri
June 2001

SURREBUTTAL TESTIMONY

OF

DANIEL I. BECK

MISSOURI GAS ENERGY

A DIVISION OF SOUTHERN UNION COMPANY

CASE NO. GR-2001-292

TABLE OF CONTENTS

SURREBUTTAL TESTIMONY

OF

DANIEL I. BECK

MISSOURI GAS ENERGY

A DIVISION OF SOUTHERN UNION COMPANY

CASE NO. GR-2001-292

Q. Please state your name and business address.

A. My name is Daniel I. Beck and my business address is P. O. Box 360, Jefferson City, Missouri 65102.

Q. Are you the same Daniel I. Beck that filed Direct and Rebuttal Testimony in this case?

A. Yes, I am.

Q. What issues does your Surrebuttal Testimony address?

A. Rate Design and Class Cost-of-Service.

Q. Have you reviewed the Revised Staff Accounting Schedules filed by the Staff on May 31, 2001?

A. Yes. The Revised Accounting Schedules include revisions to most of the basic areas that determine revenue requirement. Therefore, I have updated my Cost-of-Service (C-O-S) study to account for these revisions. In addition, I have changed the allocator for Automatic Meter Reading (AMR) related items. The new AMR allocator assigns no costs to the Large Volume Service (LVS) Class. I will discuss this revised allocator in detail in my testimony beginning on page 10.

Q. What was the result of the changes described above?

A. The net effect of the revisions produced only minor changes in the C-O-S results. A summary of the updated results of my C-O-S study is attached as Schedule 1.

Rate Design

Q. Have you reviewed the Rebuttal Testimony of parties with regard to rate design?

A. Yes. I have read the rate design testimony of Missouri Gas Energy (MGE or Company) witness F. Jay Cummings, the Office of the Public Counsel (OPC) witness Hong Hu, and Missouri Gas Users' Association (MGUA) witness Charles D. Laderoute. First, I would like to discuss the areas of agreement. All parties agree that the Small General Service (SGS) and Large General Service (LGS) classes are contributing more than their share at current revenues. In fact, the party's studies are surprisingly consistent in the total revenue requirement for these classes and show that the LGS class is contributing significantly above C-O-S (about 25% more) and the SGS class is contributing about 10% more than C-O-S. In addition, all of the parties show that the Residential class is contributing less than its revenue responsibility.

Q. Do the parties also agree on the magnitude of the Residential class's revenue deficiency?

A. No. The parties have significant differences as to the magnitude of this deficiency. OPC shows a very slight deficiency of .33% at current revenues for the Residential class, Staff shows a small deficiency of 3.38% for the Residential class, and the Missouri Gas Users Association (MGUA) shows a larger deficiency of 6.94% for the Residential class.

Q. Do the parties also agree on the direction or magnitude of the Large Volume Service (LVS) class's revenue deficiency?

A. No. Staff shows a small deficiency of 3.73% for the LVS class, OPC shows a significant deficiency of 24.87% for the LVS class, and MGUA shows that the LVS class is contributing significantly above C-O-S (29.78% more).

Q. How can there be so much disagreement regarding LVS when there appeared to be a significant amount of agreement for the other three classes?

A. The answer lies in the fact that the Residential class is contributing almost twice as much revenue as all the other classes combined. Therefore, a $1,000,000 deficit for the Residential class equals 1% of the Residential class's current revenue contribution while the same $1,000,000 deficit equals nearly 10% of the LVS class's current revenue contribution. This difference in the size of each class's revenue contribution accounts for the apparent discrepancy.

Q. Given the fact that there is a significant amount of agreement in C-O-S results, do the parties have a significant amount of agreement with regard to class revenue shifts?

A. No. Staff and MGE proposed no revenue shifts between classes. OPC, while not opposed to the proposal by Staff and OPC, recommends moving half way to cost of service. This recommendation would result in large decreases for SGS and LGS, and a large increase for Large Volume, and a small percentage increase for the Residential class. Although MGUA recommended several rate design alternatives in Direct Testimony, MGUA, in Rebuttal Testimony, now recommends that its proposals in Direct Testimony be "replaced" with a new alternative. Mr. Laderoute, MGUA's witness, now recommends that, assuming a revenue requirement of $10,000,000 (which is approximately the level of the proposed settlement), the following rates be phased in over three years:

	Residential	SGS	LGS	LVS
Year 1	$8,496,334	$1,434,601	($13,532)	($112,055)
Year 2	$10,641,418	$651,373	($242,986)	($1,049,805)
Year 3	$13,092,942	($243,745)	($552,771)	($2,296,426)

However, just to be clear, if this proposal went into effect today, June 12, 2001, the second year would begin on June 12, 2002 and the third year would begin on June 12, 2003. Therefore, Mr. Laderoute's full movement to C-O-S would be in effect at the end of two years.

Q. What reason does Mr. Laderoute give for this proposal?

A. Mr. Laderoute states, "[this proposal] reflects what I view as a reasonable compromise in heading toward cost based rates." [Laderoute Rebuttal, pg. 51, lines 8-9]. I do not view Mr. Laderoute's proposal as a compromise since it ignores the positions of the other parties. I do, however, think that this proposal is an example of gradualism as defined on page 46 of Mr. Laderoute's Rebuttal Testimony. But, I cannot agree that a proposal that would be essentially no change in the first year for the LGS and LVS classes, a 9% reduction in the second year for the LGS and LVS, and 20% reduction in the third year for the LGS and LVS classes can honestly be defined as gradual especially when other classes are receiving increases each year.

Q. Mr. Laderoute's Rebuttal testimony states "Schedule CDL-Reb-6 lays out a proposed method that I think would be reasonable, given the historical background for this Company." (Laderoute, Rebuttal, page 49, lines 17-19) What history do you believe he is referring to?

A. I believe he is referring to the history of previous MGE rate cases that was discussed in Mr. Laderoute's Direct Testimony. The history, as described by Mr. Laderoute, can be summed up by saying that there have been no meaningful revenue shifts between classes for at least the last five years. However, as Staff's C-O-S and Rate Design witness in both this case and MGE's last rate case (GR-98-140), I wish to point out that there has been significant movement with regard to C-O-S results from Case No. GR-98-140 to Case No. GR-2001-292. Specifically, MGUA's C-O-S study in GR-98-140 showed that the LVS class required a 47% reduction in revenue requirement. Now, in this case, Case No. GR-2001-292, MGUA's C-O-S study shows that the LVS class requires a 30% reduction in revenue requirement. To be fair, MGUA did not have the same witness for both of these cases, but I will let such a large shift in revenue requirements from one case to another for the same party speak for itself.

Q. Mr. Laderoute's Rebuttal testimony states, "A cost of service study should serve as the **primary input** in determining rate class revenue levels. Otherwise, why waste all the time performing such studies? In my opinion and in general, the cost of service study should weigh no less than 80% to 90% in the final balancing of factors." (Laderoute, rebuttal, pages 39-40, Lines 19-1) Do you agree?

A. Yes, to a point. I agree that cost of service should serve as the primary input. But, I do not agree that the Commission must pick one study as Mr. Laderoute's statement implies, nor do I agree that a specific weighting factor of 80% to 90% should be determined. Instead, I would encourage the Commission to analyze the strengths and weaknesses of all three cost-of service studies filed in this case. I would first look for the areas of agreement. After reading direct, rebuttal, and surrebuttal testimony regarding C-O-S and rate design, one might get the impression that the witnesses couldn't agree if the sun was yellow or blue. In my opinion, the truth is that the witnesses actually have more agreement on issues than disagreements. Said another way, the witnesses all agree that the sun is a shade of yellow but do not agree on the shade.

Once the areas of agreement are understood, I believe that it is easier to weigh the areas of disagreement both in the actual C-O-S studies and in specific rate design proposals.

In addition, the Commission should look at the detailed discussion to determine the validity of the three C-O-S studies filed. More than one C-O-S study could be valid. To continue with my previous analogy, I view issues like value of service, affordability, rate impact, rate continuity, customer acceptance, stability, gradualism and social considerations to be similar to a light filter that is commonly used on cameras and telescopes. While these filters will not totally block out the sun, they sometimes can and do alter the intensity and appearance, each to a different degree.

Q. Given the fact that you have revised your cost-of-service study and you have reviewed the other parties testimony, what is your recommendation regarding revenue shifts between classes?

A. Although Staff continues to maintain that its cost-of-service study is reasonable, Staff recommends that the Commission look to the areas where there is the most agreement among all of the parties in this case and make some movement towards C-O-S for the SGS and LGS classes. Since these two classes make up less than one-fourth of the Company's current revenue, I recommend that the following shifts in revenues between classes be made prior to spreading the rate increase to all of the classes on an equal percentage increase. (The percentage should be computed after the shifts are made.)

	Residential	SGS	LGS	LVS
Shift	$315,000	($250,000)	($100,000)	$35,000

Q. Has Staff abandoned it previous recommendation to spread any revenue increase on an equal percentage basis?

A. No. However, since all of the parties' C-O-S results show that the SGS and LGS classes should receive a reduction at current revenues, I believe that movement towards C-O-S is warranted in this case.

Class Cost-of-Service

Q. Given the rate design section of your Surrebuttal Testimony above, is there any need to discuss the specific issues related to your C-O-S study?

A. Yes. First, the point of Surrebuttal Testimony is to respond to the other parties' Rebuttal Testimony as it relates to your Testimony. Second, as I discussed earlier, both the areas of agreement and the areas of disagreement should be understood by the Commission. However, I do not believe that the Commission must make a specific decision on each C-O-S issue but instead the Commission should weigh the value of each C-O-S study in total.

Q. Have you reviewed the Rebuttal Testimony of MGUA witness, Charles D. Laderoute, regarding C-O-S?

A. Yes. Although I disagree with some of Mr. Laderoute's specific conclusions, I believe his testimony generally identifies the areas of disagreement between Staff's and MGUA's C-O-S studies. Mr. Laderoute identified eight areas of concern. In my opinion, several of these areas of concern are actually subtopics of larger C-O-S issues. The four C-O-S issues that account for most of the differences between the C-O-S studies of Staff and MGUA are:

1) Automatic Meter Reading Costs;
2) Meters, Regulators and Services;
3) Gas Supply, Inventory, and Sales as it relates to the LVS Class; and
4) Other Revenues and Uncollectibles Expense.

Q. Please explain how these four issues relate to Mr. Laderoute's eight areas of concern.

A. The first two issues have a one-to-one correspondence with two of his areas of concern. The third issue corresponds to four of his areas of concern: Storage Gas Inventory in Working Capital, Working Cash for Purchased Gas in Working Capital, Gas Supply related costs included in A&G expense, and Sales Expense. The remaining issue corresponds to two of his areas of concern: Allocation of Other Operating Revenues and Gas component of Uncollectibles Expense.

Q. Were you able to quantify the value of each of these issues?

A. No. As Mr. Laderoute points out in his Rebuttal Testimony, the two C-O-S studies are not directly comparable since his study was based on the Company's direct filed revenue requirement while my study was based on Staff's filed revenue requirement testimony. However, Mr. Laderoute attempted to explain the differences in a series of calculations with the result being shown on Schedule CDL-Reb-5.

Q. Do you agree with Mr. Laderoute's calculations?

A. No. However, I do believe that Mr. Laderoute has identified the primary areas of concern that exist between the C-O-S studies.

Q. Please explain the apparent contradiction in you previous answer.

A. First, I need to explain that during a conversation with Mr. Laderoute on June 6, 2001, we determined that several specific calculations on Schedule CDL-Reb-5, page 2 and 3, contained errors. It is my understanding that Mr. Laderoute plans to correct these errors in his Surrebuttal Testimony. However, I have attempted to quantify the impact of these corrections in Schedule 2, which is attached. Schedule 2 also shows both the filed and corrected results of Mr. Laderoute's analysis. After the corrections were made, it was clear that a significant portion of the differences were not quantified. Although I have made no specific analysis, it is my opinion that the additional differences are primarily due to the fact that modification of these allocators will affect the allocators that are calculated within the C-O-S spreadsheet. Therefore, although I believe that the corrected spreadsheets do not reflect the actual differences between the two studies, the results do indicate the relative magnitude of the differences involved in the various issues.

Q. In his testimony, Mr. Laderoute states that he "can account for approximately 96% of the difference between my COSS and that of Staff" (Laderoute, Rebuttal, pg. 17, lines 15-16). Would this statement also be affected by the changes to Schedule CDL-Reb-5?

A. Yes. First, the percentage calculation on page 1 of Schedule CDL-Reb-5 must be recalculated. This would result in a new value of 84%. In addition, I maintain that the label given to this calculation is misleading because it calculates the percent of costs allocated to the LVS class that can be explained, not the percent of differences that can be explained. Although this may seem like a subtle distinction, the values can be significantly different. In this case, I believe that 50% of the differences have been quantified by these calculations.

Q. If it is your contention that only 50% of the differences have been quantified, is it also your contention that the recomputed differences should be multiplied by a factor of two?

A. Yes. However, I want to be clear that this is only an estimate of the differences using a less than precise methodology.

Q. Your first issue was automatic meter reading equipment. Didn't you state that you changed this allocator in your updated C-O-S study?

A. Yes. Although both Staff and MGUA still use different allocators for various AMR related accounts, both studies now allocate no AMR costs to the LVS class.

Q. So you agree with Mr. Laderoute regarding the allocation of AMR to the LVS class?

A. Not completely. Although I agree with the results for AMR allocation in this case, I still believe that there are some relevant points that demonstrate that some AMR costs should be allocated to the LVS class. First, I totally disagree with the following statement which was on page 16 of Mr. Laderoute's Rebuttal Testimony, Lines11-12: "Some might rejoin that AMR reduced Meter Reading costs. That may well be, but it is immaterial." Although I don't know what his definition of immaterial is, I maintain that it is material when a meter reading allocator is developed. Although it is really not a good direct comparison because it doesn't account for inflation, meter reading costs for MGE have been reduced significantly in the last 5 years. Staff plans to continue investigating the remaining meter reading costs and their relationship to all classes, not just the LVS class. In addition, it is clear that AMR did serve some LVS customers, not just the one LVS sales customer, during a part of the year since there were a significant number of customers that switched to the LVS class. However, since Staff was unable to quantify any of these concerns, I revised the AMR allocators so that no AMR costs are assigned to the LVS class.

Q. So, in reference to the Staff's and MGUA's C-O-S studies, is it correct to claim that all of the differences in AMR costs allocated to the LVS class have been eliminated with your revised C-O-S?

A. Yes.

Q. Your second issue was meters, regulators and services. What comments do you have regarding this issue?

A. Although Mr. Laderoute addresses this issue on pages 23,24,25, 28, 29, and 30, this issue accounts for less than 10 % of the differences between the Staff and MGUA C-O-S studies. Although the philosophical debate about embedded versus replacement costs has a long history, in this case, I am reminded of when my dad would call an issue like this a "red herring". I have not been able to determine if there is such a thing as a "red herring" but, in this context, I am referring to an issue that is raised which distracts from the real issue at hand. I believe that, in this case, the allocation of meters, regulators and services is a "red herring" since it is less than ten percent of the differences between Staff and MGUA as well as OPC and MGUA. However, Staff still maintains that a replacement cost allocator for meters, regulators, and services is appropriate as the Commission determined in its order in Case No. GR-96-285 on Remand.

Q. Your third issue was "Gas Supply, Inventory, and Sales as it relates to the LVS Class". Has this issue been resolved? Is it also a "red herring"?

A. No. This issue has not been resolved and it accounts for approximately one-third of the differences between MGUA and Staff. It also accounts for four of Mr. Laderoute's areas of concern and five of the specific items which are shown in Schedule 1 of my testimony and on page 5 of Schedule CDL-Reb-5 from Mr. Laderoute's Rebuttal Testimony. Although I could not find any specific discussion on the two smallest items that make up this issue in the text of Mr. Laderoute's Rebuttal testimony, I included these items since Schedule CDL-Reb-5 from Mr. Laderoute's Rebuttal Testimony does include the items.

Q. Would you please describe the issue?

A. The issue regarding the allocation of these costs revolves around the use and benefit to customers on MGE's system and MGE's responsibility to maintain gas supplies on that system. In Mr. Laderoute's explanation of these items on pages 26, 27, and 31, each have the following phrase: "Transportation customers provide their own gas and, moreover, have no right to use". The sentence is then completed with the words "Storage Gas", "any gas purchased by MGE", or "MGE's gas". The simple fact is that transportation customers use gas from MGE's system. While transportation customers make their own gas purchases, they do not receive their own separate shipment of the specific gas that they purchased, instead the gas they purchase is put into MGE's system with other gas, and transportation customers use gas from MGE's system, or said another way, a gas molecule is a gas molecule. While this may sound so simple that it cannot be relevant, I think it is the best way that I can describe MGE's responsibility to maintain gas supplies to both its sales and its transportation customers. This is a 24 hour a day, 7 day a week responsibility that ,in reality, is not as simple as nominating the amount of gas that you expect to use the next day.

Q. Mr. Laderoute uses the phrase "they would get with a penalty charge from MGE" on pages 26 and 27 to indicate that Transportation customers are subject to a penalty charge during certain portions of the year. Doesn't the fact that a penalty charge exists mean that none of these costs should be allocated to transportation customers?

A. No. The penalty charge that Mr. Laderoute refers to is booked in the Company's PGA/ACA accounts. It is not collected in the Company's margin rates or in the other revenues that are part of this case. These penalties are specifically spelled out in the tariffs but are not intended to offset the transportation customer's portion of MGE's cost to supply gas to the system.

Q. One of the small items that Mr. Laderoute lists is labeled sales expenses. Could you explain this item in more detail?

A. Yes. This is referring to the sum of accounts 911, 912, and 916, which are generally referred to as sales expense. However, after reading the definitions of these accounts in the Federal Energy Regulatory Commission's (FERC) Accounting and Reporting Requirements for Natural Gas Companies, I am convinced that the term sales does not specifically exclude transportation customers. Specifically, the definition of Account 912, Demonstrating and Selling Expenses, which account for 86% of the cost of this item, does not specifically refer to "sales" customers or to "transportation" customers. Instead, the definition is as follows:

> This account shall include the cost of labor, materials used and expenses incurred in promotional, demonstrating and selling activities, except by merchandising, the object of which is to promote or retain the use of utility services by present and prospective customers.

This definition clearly does not exclude any of MGE's customers, including the sales or transportation customers. Although this item is a small part of the larger issue of Gas Supply, Inventory, and Sales as it relates to the LVS Class, I think that it is the best example of Mr. Laderoute attempting to exclude a cost from transportation customers that clearly should be borne by all of MGE's customers.

Q. The fourth and last issue that you listed was Other Revenues and Uncollectibles Expense. How does this correspond to Mr. Laderoute's list of concerns?

A. This issue corresponds to two of Mr. Laderoute's concerns, Allocation of Other Operating Revenues and Gas Component of Uncollectibles Expense. In Mr. Laderoute's Schedule CDL-7, there are three items with Other Operating Revenues being divided into two accounts. This item accounts for the largest difference between Staff and MGUA.

Q. Please explain what is meant by Gas Component of Uncollectibles Expense.

A. Account 904, Uncollectibles Accounts, is for uncollectible utility revenues. This may be a little confusing since revenues that cannot be collected are an expense. Obviously, the Company would prefer to collect these revenues directly form the customers but that is not always possible. Mr. Laderoute breaks this account into two pieces, estimated PGA revenues and estimated margin revenues. Mr. Laderoute then allocates a portion of the uncollectible margin revenues to the LVS class. This is the first time MGUA has allocated any portion of the uncollectibles expense to the LVS class and Staff agrees that some of this expense is properly allocated to LVS. The second portion of Account 904 is the estimated PGA revenues. It is this portion that is also referred to as the gas component of uncollectibles and in this case accounts for approximately 70% of the Uncollectibles Accounts.

Q. Do you agree that transportation customers should not be allocated any of the gas component of uncollectibles?

A. No. While Mr. Laderoute maintains that none of the cost should be allocated to the transportation customers, Staff maintains that it is a cost of doing business and should, therefore, be borne by all of MGE's customers. In addition, Staff maintains that these costs are caused by a very small percentage of MGE's customers and, therefore, should not be assigned to specific classes. To illustrate this point, a review of Mr. Laderoute's C-O-S shows $2,423,754 for the gas component of uncollectibles and $307,289,585 for PGA revenues. The gas component of uncollectibles is less than 0.8 percent of the total PGA revenues. It makes sense that such a small percentage of the cost is only being caused by a few customers.

Q. Could a residential customer choose to pay the PGA portion of their bill but not the margin portion of their bill?

A. No. Any payment made to a residential customer's bill is allocated to both the margin and PGA portions of their bill. Although these portions of a customer's bill are shown separately, the reality is that you either are or are not a customer of MGE and as a customer you pay your share of MGE's cost of doing business.

Q. In addition to the Gas portion of Uncollectibles, you also included other revenues in the same issue. Why did you combine these two different areas of concern into a single issue?

A. Primarily, I grouped these two issues together because Mr. Laderoute states, "It is sometimes helpful to think of Other Operating Revenues as similar to Uncollectibles except that rather than being an overhead cost, these Other Operating Revenues are an overhead benefit."

Q. Does this mean that Mr. Laderoute allocated both Other Operating Revenues and Uncollectibles with the same allocators?

A. No. For Other Operating Revenues Mr. Laderoute uses an allocator called "50% Cust – 50% Mcf" that allocates 16.29% of the revenues to the LVS class. For Uncollectibles, Mr. Laderoute allocates the two pieces using "Sales Rev Incl PGA" and "Sales of Gas and Trans Rev" which in total allocate 2.45% of these costs to the LVS class. It is striking that when revenues are being allocated to the LVS class, Mr.

Laderoute shifts a large share to the LVS class, but when costs are being allocated, a conspicuously small share goes to the LVS class.

Q. How does 16.29% compare to Mr. Laderoute's view of the correct overall revenue responsibility for the LVS class?

A. Mr. Laderoute shows on line 20, page 1 of Schedule CDL-Reb-5 that the LVS class should be responsible for 5.76% of the revenue requirement. This means that, on a percentage basis, Mr. Laderoute is allocating almost three times more of the Other Revenues to the LVS class than he does the total cost to serve MGE's customers.

Q. In order to make such a large assignment of other revenues to the LVS class, Mr. Laderoute must feel that the LVS class has directly paid these revenues. Is that correct?

A. No, it is not. Mr. Laderoute discusses Staff's assignment of Other Operating Revenues and states, "I understand the logic. The logic for that is that most of these Operating Revenues are generated by the Residential and SGS classes." (Laderoute, Rebuttal, page 33, lines 19-22).

Q. To be fair, Mr. Laderoute then goes on to state, "BUT, most Uncollectibles are generated by the same to classes. In order to be logically consistent between Uncollectibles and Other Operating Revenues, the benefit of the latter must also accrue to other rate classes." (Laderoute, Rebuttal, pages 33-34, lines 22 – 1). What is your response to this statement?

A. First, I would encourage Mr. Laderoute to adopt this position in this case. If, for example Mr. Laderoute used the 2.45% composite factor to allocate both

Uncollectibles and Other operating Revenues, the estimated differences between Staff and MGUA on this issue would shrink from $873,414 to $311,980. Second, if you look at the charges that generate the revenue you realize that while uncollectibles are caused by a very small minority of the customer base, a much larger percentage of the customer base pays late fees, disconnect, connect and transfer fees.

Q. Mr. Laderoute also states “In fact, there is even more of a case to be made with respect to Other Operating Revenue since the customer accounting costs and other operating costs for the personnel who deal with disconnects, reconnects and so on have been allocated elsewhere in the (C-O-S study) to all classes.” (Laderoute, Rebuttal, page 34, lines 2 – 6). What is your response to this statement?

A. I totally disagree with this statement. Other Operating Revenues should not be used to REALLOCATE costs that have been allocated elsewhere in the C-O-S study. The reason I use the term reallocate is because the customer accounting costs and other operating costs that Mr. Laderoute discusses were part of the overall class C-O-S study that each party developed. Other Operating Revenues should not be used to lower the allocation to select classes, but instead should be part of the overall revenue contributed by each class. Mr. Laderoute's approach would allow Residential customers to contribute towards the LVS class's revenue responsibility. In total, Mr. Laderoute would like a contribution to the LVS class of more than $600,000 dollars or more than 5% of the total revenue from this class.

Q. Does the possibility that new connect and transfer fees could be established have any effect on this issue?

A. Yes. Although it is still unlikely that a large percentage of LGS and LVS customers will incur the miscellaneous fees, I have changed the allocator for Miscellaneous Revenues to include customer numbers for all classes. Although this change shifts less than $10,000 in revenues from the Residential and SGS classes to the LGS and LVS classes, I believe this better reflects the sources of these revenues in the future.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of Missouri Gas Energy's tariff sheets designed to increase rates for gas service in the company's Missouri service area.	))))	Case No. GR-2001-292

AFFIDAVIT OF DANIEL I. BECK

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

Daniel I. Beck, is, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 19 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

Daniel I Beck

DANIEL I. BECK

Subscribed and sworn to before me this 12th day of June 2001.

Sharon S. Wiles

Notary Public

SHARON S WILES
NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXP. AUG. 23,2002

My Commission Expires: ____________

CLASS COST-OF-SERVICE SUMMARY

MISSOURI GAS ENERGY
CASE NO. GR-2001-292
TEST YEAR ENDED DECEMBER 31, 2000, Staff Revised Accounting Schedules dated May 31, 2001

	TOTAL	RESIDENTIAL	SMALL GENERAL SERVICE	LARGE GENERAL SERVICE	LARGE VOLUME	UNMETERED GAS LIGHTS
RATE BASE	$490,511,378	$343,958,316	$95,691,975	$8,578,184	$42,280,923	$1,980
REQUESTED RETURN	8.8900%	8.8900%	8.8900%	8.8900%	8.8900%	8.8900%
RETURN ON RATE BASE	$43,606,462	$30,577,894	$8,507,017	$762,601	$3,758,774	$176
O & M EXPENSES	$60,721,386	$44,077,907	$10,932,952	$864,030	$4,846,164	$332
DEPRECIATION EXPENSE	$20,469,582	$14,833,211	$3,887,853	$316,495	$1,431,960	$63
TAXES OTHER THAN INCOME	$9,263,236	$6,604,662	$1,744,569	$149,147	$764,817	$40
INCOME TAXES	$9,396,311	$6,588,918	$1,833,090	$164,325	$809,940	$38
TOTAL EXPENSES	$99,850,515	$72,104,698	$18,398,465	$1,493,997	$7,852,882	$473
TOTAL C-O-S	$143,456,977	$102,682,592	$26,905,481	$2,256,598	$11,611,656	$649
OTHER REVENUES	$4,330,224	$4,026,993	$291,349	$4,923	$6,959	$0
REQUIRED MARGIN REVENUE	$139,126,753	$98,655,600	$26,614,132	$2,251,675	$11,604,696	$649
CURRENT MARGIN REVENUES	$134,994,108	$92,595,420	$28,511,937	$3,030,681	$10,855,170	$900
ZERO REVENUE INCREASE PLUG	$4,132,645	$2,930,483	$790,551	$66,884	$344,708	$19
C-O-S MARGIN REVENUES @ 0%	$134,994,108	$95,725,117	$25,823,582	$2,184,790	$11,259,989	$630
REVENUE ABOVE (BELOW) COS	($0)	($3,129,697)	$2,688,355	$845,891	($404,819)	$270
% INCREASE WITHOUT GAS COSTS	0.00%	3.38%	-9.43%	-27.91%	3.73%	-30.01%
CLASS' SHARE OF TOTAL MARGIN REVENUES	100.00%	70.91%	19.13%	1.62%	8.34%	0.00%

Missouri Gas Energy
Case No. GR-2001-292
Comparison of Differences Between Staff and MGUA

Account	Description of Items Resulting in Differences	MGUA Schedule CDL-Reb-2 Estimated Revenue Impact	MGUA Schedule CDL-Reb-2 Estimated Issue Subtotal	Staff's Proposed Corrections to CDL-Reb-2 Estimated Revenue Impact	Staff's Proposed Corrections to CDL-Reb-2 Estimated Issue Subtotal
397.1	AMR Communication Equipment	$197,547		$197,547	
	AMR Intangible related PIS	$2,548		$2,548	
	AMR Amortization - AMR Beta	$2,325		$2,325	
	AMR Amortization - Gen Pt A/C 397.1	$138,456		$138,456	
	Automatic Meter Reading Costs		**$340,876**		**$340,876**
380	Services	$40,330		$69,714	
381	Meters	$31,342		$54,176	
383	Regulators	$902		$1,560	
385	EGM Equipment	-$1,730		-$2,990	
	Meters, Regulators, and Services		**$70,844**		**$122,460**
923	Assigned to Sales	$1,485,054		$127,728	
	Working Capital Gas Inventory	$321,870		$321,870	
	Working Capital - Working Cash - O&M Purchased Gas	$145,681		$145,681	
	Assigned Transports	-$35,208		-$32,180	
	Sales Expense	$66,489		$66,489	
	Gas Supply, Inventory, and Sales as it relates to the LVS Class		**$1,983,886**		**$629,588**
904	Uncollectibles	$212,589		$212,589	
487	Late Payment Charge	$160,189		$160,189	
488	Misc. Service Charge	$500,636		$500,636	
	Other Revenues and Uncollectible Expense		**$873,414**		**$873,414**
			$3,269,020		**$1,966,338**
	Differences Between Staff and MGUA - Adj(1) (Schedule CDL-Reb-2)		$3,901,998		$3,901,998
	Percentage of Differences Explained		**84%**		**50%**

Schedule 2