Exhibit No.:	
Issues:	Rate Design
Witness:	Anne E. Ross
Sponsoring Party:	MO PSC Staff
Type of Exhibit:	Rebuttal Testimony
Case No.:	GR-2009-0355
Date Testimony Prepared:	September 28, 2009

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

ANNE E. ROSS

MISSOURI GAS ENERGY

CASE NO. GR-2009-0355

Jefferson City, Missouri
September 2009

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy and Its Tariff Filing to Implement a General Rate Increase for Natural Gas Service	)))	Case No. GR-2009-0355

AFFIDAVIT OF ANNE E. ROSS

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Anne E. Ross, of lawful age, on her oath states: that she has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 19 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.

Anne E. Ross

Subscribed and sworn to before me this 28th day of September, 2009.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

Notary Public

Table of Contents

REBUTTAL TESTIMONY

OF

ANNE E. ROSS

MISSOURI GAS ENERGY

CASE NO. GR-2009-0355

REBUTTAL TESTIMONY

OF

ANNE E. ROSS

MISSOURI GAS ENERGY

CASE NO. GR-2009-0355

Q. Please state your name and business address.

A. Anne E. Ross, P.O. Box 360, Jefferson City, Missouri 65102.

Q. Are you the same Anne E. Ross who contributed as a witness to the Missouri Public Service Commission Staff's (Staff's) Class Cost of Service and Rate Design Report?

A. Yes.

EXECUTIVE SUMMARY

Q. Please summarize your rebuttal testimony.

A. I will respond to the major themes of Office of the Public Counsel's (OPC's) witness Barbara A. Meisenheimer's direct testimony on Rate Design. I will discuss:

1. OPC's general characterization of the SFV rate design, which is incorrect,
2. OPC'S Claim that the Residential class paid over $18,000,000 more under the SFV rate design than they would have under a traditional rate design is inaccurate,
3. OPC's discussion of the Energy Efficiency programs,

4. OPC's definition of fixed costs, and description of the relationship linking demand to fixed costs,
5. OPC's argument that adoption of the SFV rate design eliminated all of MGE's earnings uncertainty,
6. OPC's contention that moving from the traditional rate design to an SFV rate design shifted weather-related risk from the Company to its customers,
7. OPC's contention that weather risk is beneficial to customers because it provides an incentive for the Company to operate efficiently, and that this incentive is lost because of the SFV rate design,
8. OPC's contention that a traditional rate design 'provides a better incentive for customers to conserve than does the SFV rate design,
9. OPC's characterization that usage differences among Residential customers are 'significant' for the purposes of cost allocation and rate design,
10. OPC's 'analysis' of the monthly bill differences of a Residential customer on the current SFV rate design vs. the OPC rate design, which is misleading, and
11. OPC's statement that the SFV rate design means that customers do not have any control over the charges they pay to the service.

I will then address OPC's testimony regarding Small General Service class rate design testimony.

Finally, I will discuss the Large Volume Service testimony of Ms. Meisenheimer and the rate design proposal of Missouri Gas Users' Association and Superior Bowen Asphalt, L.L.C (MGUA) witness Donald Johnstone.

DISCUSSION OF OPC RATE DESIGN TESTIMONY

1. OPC's general characterization of the SFV rate design is incorrect

Q. Why do you disagree with OPC's characterization of the SFV rate design?

A. When reading OPC witness Meisenheimer's testimony, I was struck by the way in which the witness used the term "SFV." When Ms. Meisenheimer discusses SFV, she relates it only to the non-gas portion of the customer's bill, which is the subject of this rate case, but is imprecise in that SFV relates to the customers' total bill. For example, on p. 9, lines 13-14, OPC states that "the SFV is a fixed fee that recovers *all* non-gas costs..." (emphasis added).

The term SFV rate design, however, applies to a Residential customer's total bill. Non-gas, or margin, costs are collected in a delivery charge, and customers pay for each unit of gas they use through the PGA charge. It is the charge for the gas itself, which is the 'variable' piece of the SFV rate design. To deliver gas from the interstate pipeline to the customers' homes or businesses, each local distribution company (LDC) has a significant investment in pipeline systems and other long-term assets, together with many other costs incurred to serve every customer, such as employees, office space, vehicles, computers and billing systems, meters, insurance, phones which comprise the other component of this rate design – the 'fixed' portion.

OPC's claim that the SFV rate design makes a Residential customer's bill unresponsive to usage changes resulting from conservation, ignores the fact that 70-75%[1] of a customer's bill is based on the amount of gas used. When customers lower their usage, they directly affect the largest portion of their bills.

2. OPC'S claim that the Residential class paid over $18,000,000 more under the SFV rate design than they would have under a traditional rate design is inaccurate. Meisenheimer, Direct,, p. 5

Q. On page 5, lines 13-15, Ms. Meisenheimer claims that the Residential class paid over $18,109,155 more under the SFV rate design than they would under a traditional rate design. Do you have any comments about Ms. Meisenheimer's calculation?

A Yes. On the surface, this claim is shocking, but when you look more closely at her calculations it appears much less so. In Ms. Meisenheimer's workpapers, she included the calculation of this amount. Because the 21 month time period[2] Ms. Meisenheimer elected to use in the calculation of the $18 million amount included 2 full non-winter periods (14 months) and less than 2 full winter periods (7 of 10 months), it is not surprising that the SFV collected more revenue. If you use the same information, but chose a different 21 month period, the numbers would change.

For example, during the 21 month period starting in August 2007 through April 2009, Ms. Meisenheimer's rate design collected around $8 million more from Residential customers. The choice of the time period makes quite a difference.

[1] The percentage of a Residential customer's bill that is related to gas costs is a function of the PGA and customer usage. When the PGA and/or customer usage is relatively low, as in the non-winter months, the percentage is lower. In the winter months, when the PGA and/or customer usage tend to increase, the percentage of the customer's bill related to gas (the commodity) cost is higher, as well.
[2] Ms. Meisenheimer used a 21 month time period running from April 2007 – December 2008.

3. OPC's discussion of the results of MGE's Energy Efficiency Programs, Meisenheimer, Direct, p. 5

On p. 5 of her direct testimony, Ms. Meisenheimer briefly discusses the Company's efficiency programs which are a major component of the SFV rate design,, and says that customers received 'limited benefit' from the programs. Do you have any general comments on this?

A. I do. These programs were set up using a collaborative process, with Staff, MGE, DNR, and OPC voting members. All decisions had to be unanimous, or a project or program would not go forward. A single member's opposition would stop a program and this led to gridlock.

4. OPC's definition of fixed costs, and its description of the relationship linking demand to fixed costs, is incorrect, Meisenheimer, Direct, p. 8

Q. Does OPC dispute that it is common to collect fixed costs from customers in a fixed charge, and variable costs in a variable charge?

A. No, they don't. On p. 8, line 21 – page 9, line 4, Ms. Meisenheimer states:

> While an analysis (sic) uses judgment in allocating costs and designing rates it is common in regulated industries for companies to recover costs that are incurred independent of usage in a fixed fee and to recover costs that vary with usage through a usage based fee. Recovering a usage based cost through a usage based fee insures that those who did not cause the cost are not required to pay for it. This objective can be met through establishing a fixed component and a variable component of rates.

Q. What is the general economic definition of the terms 'fixed cost' and 'variable cost'?

A. Dr. James Bonbright[3] is one of the authors of Principles of Public Utility Rates. He describes "fixed costs" as "short-run costs that do not vary with a change in output."

Q. What does he mean by 'short-run costs'?

A. On p. 31, Dr. Bonbright clarifies the difference between short-run and long-run costs in this context by saying: "Of course, all costs are variable in the long run, but the long life span of the sunk capital costs in the utilities means the long run may often be thirty years or more."

Q. Can this definition apply to the term 'fixed cost' as is used in Ms. Meisenheimer's direct testimony?

A. No. OPC doesn't clearly define "fixed cost" but does claim that there aren't many, if any, fixed costs.

Q. Do you agree?

A. No. It is Staff's position that the vast majority of a utility's non-gas costs are fixed costs.

Q. Does OPC define "variable costs?"

A. OPC does not have a definition for variable cost, but implies in the discussion that any cost that *is in any* way related to a customer's usage is a variable cost.. For example, on p. 9, lines 13-18, Ms. Meisenheimer states that:

> The SFV rate design is inappropriate for recovering all non-gas costs because while the SFV is a fixed fee that recovers all non-gas costs, a portion of costs vary with use. The Company's cost of service studies identify a significant portion of costs as demand related. As illustrated below, the Company study shows over 20% of the costs of serving the Residential class is demand related.

[3] Bonbright, James C., Albert L. Danielsen & David R. Kamerschen, Principles of Public Utility Rates, Second Edition, Public Utility Reports, Inc., Arlington, VA. Copyright 1988, page 30.

Q. According to Dr. Bonbright's definition, are the costs to which Ms. Meisenheimer refers fixed costs or variable costs?

A. They are fixed costs because they are long-lived assets that do not change when a Residential customer puts in a more efficient gas furnace, or otherwise increases or reduces usage, so these costs would fit Dr. Bonbright's definition of fixed costs.

Q. What about OPC's claim these costs are "demand related?"

A. While Staff does not agree with Mr. Feinstein's cost classifications and specific method of allocation of these costs, as discussed in Staff witness Daniel I. Beck's rebuttal testimony, Staff does agree that in general these are costs that contain some measure of demand-related components.

5.OPC's claim that adoption of the SFV rate design eliminated all of MGE's earnings risk is incorrect. Meisenheimer, Direct, p. 18

Q. On p. 18, lines 24-25, in her discussion of the role of regulation, Ms. Meisenheimer states: "It is undesirable and unnecessary to shift all earnings risk to consumers." Did the Commission shift all earnings risk to consumers when it approved the SFV rate design for the Residential class?

A. No. As stated earlier, MGE still has earnings risk related to the Residential class . Furthermore, at the current time, MGE still has volumetric rates for the Small General Service, Large General Service, and Large Volume Service customer classes. To the extent that these customers are weather-sensitive, or are vulnerable to the economic slowdown, the earnings associated with those revenues are not certain, as OPC seems to believe.

6. OPC's contention that going from the traditional rate design to SFV shifted weather-related risk from MGE to its customers is incorrect
Meisenheimer Direct, p. 3

Q. What does the term 'risk' mean?

A. In general terms, risk is the uncertainty or variability associated with a specific outcome.

Q. What is 'weather-related risk', as it applies to an LDC and its customers?

A. In the context of a natural gas LDC, weather related risk is the possibility that weather is colder or warmer than the normalized weather used to set rates. With traditional rate design, if the weather is colder than normal, the utility will collect more non-gas revenue because customers use more gas. If the weather is warmer, the utility will collect less for the same services because customers use less gas.

From the customer's perspective, under the traditional rate design advocated by OPC, when it is colder, two components of a customer's bill – the margin piece and the cost of the gas itself – will combine to sharply increase a residential customer's bill in a cold winter. Conversely when it is warmer than expected, a customer can expect a lower bill.

Q. On p. 3, lines 20-21, Ms. Meisenheimer states that the SFV rate design shifts MGE's weather-related risk to customers. Is it Staff's position that SFV does not shift weather risk to customers?

A. Yes. It is Staff's position that the adoption of SFV actually eliminated weather risk for MGE's Residential customers.

Q. Please explain.

A. With the adoption of the SFV rate design, the Residential space-heating customers' risk of overpaying their non-gas costs in colder weather was eliminated. Under the SFV rate design, higher usage does not increase a customer's non-gas charge.

Q. Can you provide a recent example of this?

A. The test year is a good example of the effect of SFV in stabilizing customer bills. Because the weather was slightly colder than normal in calendar year 2008, the Residential customers paid nearly $2,205,000 less with SFV than they would have paid under traditional rate design.[4] During colder than normal weather, the customers would have overpaid the utility's cost of service under OPC's traditional rate design because they would have paid an additional charge for each unitl of gas.

The other component of a customer's bill – the charge for the actual gas used – was the same for Residential customers under the SFV rate design as it would have been under the traditional rate design.

Q. How did the change from a traditional rate design to the SFV rate design change the weather risk faced by the Company?

A. The Company's revenues are stabilized by the SFV rate design. In the case of the test year, MGE collected about $2,205,000 less from Residential customers than they would have collected under OPC's proposed rate design. Thus, in terms of the Residential class, the weather-related revenue variability for non-gas costs and revenues

[4] This amount was calculated using the figures shown on p. 12 of Ms. Meisenheimer's direct testimony. While OPC used the table to support a claim that customers paid $18,000,000 more under the SFV rate design, Staff points out that their number was calculated by including 14 non-winter months and only 7 winter months in their analysis. Thus, the analysis not only covered 21months, but a majority of the months were non-winter months. The $2.2 million referenced in this rebuttal testimony reflects the 12-month test year.

was **eliminated** for both the Company and the customer, and was not "shifted", as OPC claims.

7. OPC's claim that "earnings uncertainty motivates competitive business entities to minimize costs and to strive for customer satisfaction" and that eliminating the uncertainty related to weather will remove the incentive for a utility to operate efficiently, thus harming consumers, is incorrect Meisenheimer, Direct, p. 18

Q. What is your comment on this claim?

A. OPC's claim, on p. 18, lines 3-25, that earnings uncertainty caused by weather provides a needed motivation for MGE to operate more efficiently or provide better customer service doesn't make sense.

Q. Please explain why the earnings uncertainty related to weather variability is not needed to motivate a utility to reduce costs and be more efficient?

A. Remember that an LDC does not make money on the sale of the gas itself, so under traditional rate design there are two ways in which MGE can increase earnings – by increasing their non-gas revenue (margin cost added to each unit of gas), or by decreasing their costs.

Q. How can revenue be increased?

A. Revenue can be increased by attracting more customers, by encouraging existing customers to use more gas, or through some combination of the two.

Q. How can MGE reduce its costs?

A. Operating costs can be lowered by operating efficiently.

Q. In direct testimony, did OPC provide any examples of increased or decreased operational efficiency related to weather?

A. No.

Q. Under the current SFV rate design proposal, how can earnings be increased?

A. Again, there are two ways to increase earnings – by increasing revenues, or by decreasing costs.

Q. With an SFV rate design, how can MGE increase its revenue?

A. Under the SFV rate design, increased usage by existing customers no longer increases MGE's non-gas revenues, so unlike traditional rate design, MGE has no incentive to encourage customers to use more gas. MGE still has the incentive to try to attract more customers, as it can increase its revenues by doing that..

Q. How can costs be decreased?

A. The Company has the same motivations and opportunities to lower cost by operating efficiently under the current SFV rate design as it does under the traditional rate design.

Q. Do you believe that MGE has the same incentive to provide satisfactory customer service under either rate design?

A. Yes. In both cases, MGE has an economic incentive to retain and to attract more customers; both of which can be affected by customers satisfaction.

Q. Do you believe that MGE's conservation programs can positively affect customer satisfaction?

A. Yes, especially in the case of the Company's Residential space- and/or water-heating customers. MGE's conservation programs can help these customers reduce their gas usage thereby reducing their total bill for gas service.

8. OPC's contention that a traditional rate design is beneficial because it 'provides a better incentive for customers to conserve than does the SFV rate design', is short-sighted. Meisenheimer, Direct, p. 4

Q. What are your comments regarding Ms. Meisenheimer's argument that collecting some of the Company's non-gas costs on a volumetric basis serves as an 'incentive' for customers to lower their usage?

A. Staff's is concerned about two aspects of this proposal.

Q. What is Staff's first concern?

A. Our foremost concern is that the 'incentive' is too broadly based, and that it will negatively affect customers who are unable (as opposed to unwilling) to make the needed efficiency investments. This group is likely to include elderly or disabled customers, who are unable to pay for efficiency measures or physically unable to do the work themselves. There will be households with children that face similar obstacles. The group will also include renters whose landlords will not or cannot make improvements to the property. When evaluating a negative incentive such as this, it is important to keep in mind that, while the threat of a higher bill may provide motivation for some customers to lower their usage, it will burden some other customers that are unable to increase the efficiency of their home.

Q. What is Staff's second concern?

A. We do not know the point at which the incentive is maximized in terms of benefits vs. costs. A higher use customer is already paying a higher bill, and Staff questions the value of piling even more costs on these customers, especially as we do not believe that there is a cost justification for this.

Q. Has OPC been able to quantify the margin per-unit that, along with the existing PGA cost, maximizes a Residential customer's incentive to conserve?

A. No. OPC has not proposed or supported a target price at which the incentive would be maximized.

Q. Do you have any additional comments on OPC's proposed 'incentive' rate design?

A. In today's energy market, we should send price signals to customers that are as accurate as possible so that consumers can make rational decisions regarding their energy use, their choice of efficiency investments, and the effect of their behavior on their energy bill. The SFV rate design does that; traditional rate design does not.

9. OPC's characterization of usage differences among Residential customers as 'significant' for the purposes of cost allocation and rate design in this case is misleading. Meisenheimer, Direct, p. 11

Q What does Ms. Meisenheimer say about the effect of Residential customers' size as it relates to cost causation and the appropriate revenue recovery?

A. OPC believes that the size difference among residential customers is an important driver in the cost to serve them, and that the rate design for the Residential customers should ensure that customers pay different amounts of non-gas costs based on their usage. On p 11, lines 1-4, Ms. Meisenhimer states:

> While customers within the Residential class share some fundamental characteristics such as meter size and seasonal demand characteristics, there is a significant difference in the amount of gas consumed by customers within the Residential class.

Q. Does OPC provide any clarification as to what is meant by a "significant' difference in usage?

A. On page 11 of her direct testimony, Ms. Meisenheimer talks about customer size, saying that, "A study of customer bills for the years 2006, 2007 and 2008 prepared by the Company and provided to Public Counsel in response to DR #19 indicates that customer use in a given month may range from "0" use to *thousands* of Ccfs." (emphasis added)

Q. Has Staff examined how many Residential monthly bills fall into the range of 1,000 Ccf or more?

A. Yes. I obtained the Company's response to OPC DR #19 which Ms. Meisenheimer referenced. I have attached two pages from the response to OPC DR #19 as Schedule 1. To determine if there was a difference in size of "thousands of Ccfs" between Residential customers, I calculated the number of bills that reflected usage greater than 1,000 Ccf in any month of the test year. My results are shown in the table below.

Month	Number of customers classified as Residential whose usage exceeded 1,000 Ccf	Total number of Residential customers per month	Percent of customers classified as Residential whose usage exceeded 1,000 Ccf	Ccf volumes of customers classified as Residential whose usage exceeded 1,000 Ccf	Total number of Residential Ccf volumes per month	Percent of Total Residential Ccf volumes consumed by these customers
January 2008	95	445,505	0.0213%	128,920	74,909,971	0.17%
February	131	447,092	0.0293%	180,903	78,480,154	0.23%
March	54	447,416	0.0121%	69,954	60,929,459	0.11%
April	10	443,264	0.0023%	12,241	35,710,214	0.03%
May	8	437,126	0.0018%	14,368	18,251,053	0.08%
June	2	432,141	0.0005%	4,316	8,228,579	0.05%
July	5	428,690	0.0012%	29,732	6,785,804	0.44%
August	2	426,974	0.0005%	9,050	6,040,140	0.15%
September	4	427,391	0.0009%	12,935	6,968,271	0.19%
October	4	427,391	0.0009%	12,935	6,968,271	0.19%
November	7	437,182	0.0016%	10,830	25,132,292	0.04%
December 2008	67	443,288	0.0151%	94,374	61,163,059	0.15%
Total Test Year	389	5,243,460	0.0074%	580,558	389,567,267	0.15%

Q. What do you conclude from this analysis?

A. Assuming that these customers have not been misclassified, and that the amount for which they were billed is correct, less than 1/100 of one percent of MGE's Residential customers use "thousands" of Ccfs per month, and their volumes represent approximately 15/100 of one percent in the test year. .

Q. If you were going to design a rate that would reflect the difference in size of these customers from the remainder of the Residential class, how would you do that?

A. One possibility would be to split these customers out into a separate class

10. OPC's 'analysis' and discussion of the monthly bill differences of a Residential customer on the current SFV rate design vs. the OPC rate design is misleading . Meisenheimer, Direct, pp. 11-12.

Q. In Table 4 on p. 12 of Ms. Meisenheimer's direct testimony, she provides a comparison of the non-gas costs that a customer would pay in a single month under the current SFV rate design and OPC's proposed traditional rate design. Please describe this table.

A. This table compares the amount that Residential customers with different monthly usage levels would pay each month in the non-gas portion of their bill under the SFV rate design with the amount they would pay using comparable traditional rates; i.e., rates that would collect the Company's revenue requirement in the previous MGE case. This is shown for a range of 0 Ccf through 8,000 Ccf, and is presented on a monthly bill basis.

Q. The higher usage category on the Company's bill frequency analysis is the category for customers using over 5,000 Ccf in one month. This is the range in which the "8,000 Ccf per month" customer would fall. When you looked at the bill frequency analysis data provided by the Company, how many times during the test year did the Company send out a bill for usage greater than 5,000 Ccf in any single month?

A. Nine (9) bills were sent out for usage greater than 5,000 Ccf in the test year.

Q. How many residential bills were included in the bill frequency analysis you used?

A. A little over 5.2 million.

Q. What percentage of total Residential customers actually exceeded 5,000 Ccf during the test year?

A. By my calculations, 9/(5,243,460) * 100% = 0.000171642% of the Residential customers exceeded 5,000 Ccf during the test year.

Q. In your judgment, is the existence of a customer or customers that exceed 5,000 Ccf in a given month in the test year a factor that should be taken into account when designing rates for this class that Ms. Meisenheimer herself admits "share some fundamental characteristics such as meter size and seasonal demand charateristics?" Meisenheimer, direct, p. 11, lines 1-3

A. No. I consider the customer or customers to be outliers in the analysis. Given the total number of Residential bills that MGE sends out each year, I believe that this number is insignificant. '

11. OPC's statement that the SFV rate design means that customers do not have any control over the charges they pay to the service provider is incorrect Meisenheimer, p. 16

Q. On p. 16, lines 19-21, OPC makes the statement that "It is also the norm in competitive markets for customers to have some control over the charges they pay to the service provider. This not (sic) the case with the SFV rate design." Is this statement true?

A. No, it is not. To the extent that customers can control their gas usage, they have control over their bill. Ms. Meisenheimer's statement is inaccurate.

SMALL GENERAL SERVICE CLASS RATE DESIGN

Q. OPC raises the same objections in regard to using the SFV rate design for the new SGS class. What are your responses to these objections?

A. My responses are the same for the SFV vs. OPC's 'traditional' rate design argument for this class. The usage requirement for this class insures that the customers are relatively small, and customers of this size tend to be fairly homogenous in their usage patterns, i.e. their weather sensitivity. Staff proposed in Case No. GR-2006-0422 that this class be formed, and suggested that SFV would be an appropriate rate design, and that is still our position.

LARGE VOLUME SERVICE RATE CLASS RATE DESIGN

Q. In her direct testimony, Ms. Meisenheimer states that the Company's rate design proposal for the LV customers has the effect of eliminating the volumetric rate for this class during the summer months of April-October, and this is shown in Table 2. Is this correct?

A. No, it is not. The Company's proposal to eliminate the current seasonal differential means that the *difference* between the rates charged in the non-winter and winter months would be eliminated, not the rate itself. As a matter of fact, eliminating the summer rate would *increase* a seasonal differential, not decrease it, since the differential would be the difference between the winter blocked rates and $0. This is not what the Company proposed.

Q. What are your comments on MGUA witness Donald Johnstone's recommendation that the current seasonal differential be maintained for these customers?

A. In my direct testimony, I concurred with Company witness Russell A. Feingold that the seasonal differential be eliminated. I believe that his arguments in favor of this proposal are sound.

While Mr. Johnstone has a different proposal, I believe that there is also merit in his observations.

Staff is not aware of any study done to identify the difference, if any, of the cost to serve a LV customer in the summer vs. the cost in the winter. Since we do not have the information to make this determination, I support Mr. Johnstone's proposal to keep the current seasonal differential, but ask that the Commission order a rate design docket opened in this case. In this docket, we could examine the claim of a cost differential; if found, we could then determine whether a summer/winter differential is the best method to use to address this, or whether a mechanism like a demand charge would be preferable.

Q. Would there be any other benefits from examining MGE's customers and their costs in a rate design case?

A. Yes. There is obviously a lot of disagreement regarding the Residential class' rate design. A rate design case would allow the parties the opportunity to do further study, and present our arguments to the Commission in a venue that is not pressured or influenced by the other issues in a rate case. All parties would be working with the same information, which would make it easier for the Commission to assess the relative merits of the arguments on these issues. Given the change in the regulatory environment resulting from the increased need for customer conservation, I believe that a rate design docket would provide some much-needed clarity regarding the issues in this discussion.

Q. Does this conclude your rebuttal testimony?

A. Yes.

Case: GR-2009-0355
DR#19
Residential Frequency

Jan-08

	Customers	% of customers	Usage	% of Usage
0-50	24,119	5%	621,035	1%
51-100	55,858	13%	4,449,816	6%
101-200	241,235	54%	36,248,419	48%
201-300	96,850	22%	23,094,335	31%
301-400	20,291	5%	6,862,751	9%
401-500	4,665	1%	2,049,524	3%
501-600	1,442	0%	782,983	1%
601-700	564	0%	362,681	0%
701-800	222	0%	164,801	0%
801-900	105	0%	88,909	0%
901-1000	59	0%	55,797	0%
1001-2000	85	0%	105,631	0%
2001-3000	9	0%	20,089	0%
3001-4000	1	0%	3,200	0%
4001-5000	-	0%	-	0%
Above 5000	-	0%	-	0%
	445,505		74,909,971	

Feb-08

	Customers	% of customers	Usage	% of Usage
0-50	22,015	5%	549,655	1%
51-100	50,446	11%	4,013,503	5%
101-200	234,506	52%	35,529,270	45%
201-300	106,450	24%	25,453,488	32%
301-400	24,737	6%	8,370,926	11%
401-500	5,803	1%	2,551,469	3%
501-600	1,817	0%	984,912	1%
601-700	685	0%	441,693	1%
701-800	278	0%	207,676	0%
801-900	150	0%	126,630	0%
901-1000	74	0%	70,029	0%
1001-2000	122	0%	155,057	0%
2001-3000	6	0%	13,632	0%
3001-4000	2	0%	6,992	0%
4001-5000	-	0%	-	0%
Above 5000	1	0%	5,222	0%
	447,092		78,480,154	

Case: GR-2009-0355
DR#19
Residential Frequency

Jul-08	Customers	% of customers	Usage	% of Usage
0-50	424,700	99%	6,403,950	94%
51-100	3,129	1%	200,128	3%
101-200	630	0%	87,250	1%
201-300	152	0%	36,655	1%
301-400	52	0%	17,340	0%
401-500	16	0%	7,284	0%
501-600	4	0%	2,137	0%
601-700	2	0%	1,328	0%
701-800	-	0%	-	0%
801-900	-	0%	-	0%
901-1000	-	0%	-	0%
1001-2000	1	0%	1,252	0%
2001-3000	-	0%	-	0%
3001-4000	-	0%	-	0%
4001-5000	-	0%	-	0%
Above 5000	4	0%	28,480	0%
	428,690		6,785,804	

Aug-08	Customers	% of customers	Usage	% of Usage
0-50	424,339	99%	5,806,685	96%
51-100	2,125	0%	136,814	2%
101-200	380	0%	52,090	1%
201-300	88	0%	21,163	0%
301-400	34	0%	11,664	0%
401-500	6	0%	2,674	0%
501-600	-	0%	-	0%
601-700	-	0%	-	0%
701-800	-	0%	-	0%
801-900	-	0%	-	0%
901-1000	-	0%	-	0%
1001-2000	1	0%	1,276	0%
2001-3000	-	0%	-	0%
3001-4000	-	0%	-	0%
4001-5000	-	0%	-	0%
Above 5000	1	0%	7,774	0%
	426,974		6,040,140	