

Exhibit No.:	
Issue:	Class C-O-S Allocators and Rate Design
Witness:	Daniel I. Beck
Sponsoring Party:	MoPSC Staff
Type of Exhibit:	Direct Testimony
Case No.:	GR-2001-629
Date Testimony Prepared:	October 16, 2001

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

DANIEL I. BECK

FILED³

OCT 16 2001

**Missouri Public
Service Commission**

LACLEDE GAS COMPANY

CASE NO. GR-2001-629

Jefferson City, Missouri
October 2001

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4
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6
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8
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**TABLE OF CONTENTS OF
DIRECT TESTIMONY
OF
DANIEL I. BECK
LACLEDE GAS COMPANY
CASE NO. GR-2001-629**

CLASS COST-OF-SERVICE (C-O-S) ALLOCATORS..... 1
RATE DESIGN..... 2

1 **DIRECT TESTIMONY**
2 **OF**
3 **DANIEL I. BECK**
4 **LACLEDE GAS COMPANY**
5 **CASE NO. GR-2001-629**
6

7 Q. Please state your name and business address.

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

10 Q. Are you the same Daniel I. Beck who has previously filed testimony in this case?

11 A. Yes, I am.

12 Q. What is the nature of your testimony as it relates to the rate increase being
13 proposed by Laclede Gas Company (Laclede or Company) in Case No. GR-2001-629?

14 A. I will present testimony in regards to Class Cost-of-Service (C-O-S) allocators
15 and rate design.

16 **Class Cost-of-Service Allocators**

17 Q. Did you develop allocators to be used in a Class C-O-S study in Case No. GR-
18 2001-629?

19 A. Yes. Staff witness Anne Ross is sponsoring an updated Class C-O-S study which
20 updates the study filed by Staff in Case No. GR-99-315 which was Laclede's previous rate
21 case. Allocators that I developed are used in this Class C-O-S Study.

22 Q. Please describe the allocators that you developed for Staff's Class C-O-S study.

A. The primary allocator that I developed for use in the updated Class C-O-S study was the peak day demands. In addition, I developed allocators for mains, meters, services and regulators in the previous case that are used in this case.

Q. Could you define an allocator?

A. An allocator is the set of numbers used to assign the Company's various cost components to each C-O-S class. The analyst attempts to choose allocators that are related to each of the various accounts.

Rate Design

Q. What do you propose regarding revenue shifts between classes?

A. After reviewing the results of Staff's Class C-O-S study, I conclude that most of the classes are at or near their class revenue responsibility. If the results for all classes that are contributing more than one-fourth of one percent (0.25%) of the Company's total revenue are studied, only one class has revenues that are significantly different (greater than 10%) than C-O-S - Firm Transportation. However, as Staff witness Anne Ross points out in her testimony, Staff was unable to use booked class revenues because PGA revenues and gross receipt taxes are allocated to the classes and not booked separately for each class. Instead, class revenues were estimated for Firm Transportation by allocating a portion of the total Company revenues to the Firm Transportation Class. Given the fact that the revenues for this class were estimated and the deviation from C-O-S is slightly more than 10% (11.19%), I do not recommend a shift in class revenues at this time. However, I do plan to continue to work on more accurate estimates of Class revenues and this work will be shared with all of the parties at that time.

1 Q. In your previous answer, you excluded the results of classes that contribute less
2 than one-fourth of one percent (0.25%) of the Company's total revenue. Could you explain
3 your reasons for excluding these classes and discuss the results of the Class C-O-S study
4 regarding these Classes?

5 A. I excluded the results for these classes because their small size, when compared to
6 the total Company, make the allocation of costs difficult at best. The results of this study
7 with regard to the small classes show large deviations from C-O-S of 25%, -33% and -64%
8 for the Liquid Propane, Interruptible and Unmetered Gas Light Classes, respectively. A good
9 example of the difficulties involved in allocating costs to these small Classes can be seen
10 when the results of this Class C-O-S study are compared to the results from the previous case
11 for the Liquid Propane Class. In the previous case, a decrease of 4% was indicated while a
12 25% increase is indicated in this case. That is significant movement in C-O-S results
13 especially when the current study is simply an update of the previous study. In this case, I do
14 not recommend a shift in C-O-S revenues for these Classes because of the difficulties
15 associated with allocating costs to these small Classes.

16 Q. What recommendations do you have regarding the customer charges?

17 A. Staff's Class C-O-S study indicates that most classes currently have customer
18 charges that are above the calculated customer charge, that is the current customer charge is
19 higher than the study would indicate is needed. However, the current customer charge for
20 the Small General Service (SGS) Class is significantly below the level indicated by the study.
21 This charge was increased from \$13.30 to \$15.00 in the last case, which was approximately a
22 12% increase in the SGS Customer charge in the last case. If an increase is granted in this

Direct Testimony of
Daniel I. Beck

1 case, I recommend that the SGS Classes' customer charge be increased by the same amount
2 as the SGS Class revenues are increased. If the customer charge and class revenues are
3 increased by the same percentage, there will be no revenue shifts within the SGS class. For
4 all other Classes, I recommend no change in the customer charge.

5 Q. Did Staff use the same billing units as the Company?

6 A. No. Staff developed normalized billing units that correspond to Staff's Revenues
7 while the Company developed normalized billing units corresponding to its case. I propose
8 that all parties work toward developing a single set of billing units for the test year so that
9 any Commission ordered change in revenue can be implemented.

10 Q. Does this conclude your testimony?

11 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Laclede Gas Company's)
Tariff to Revise Natural Gas Rate Schedules)

Case No. GR-2001-629

AFFIDAVIT OF DANIEL I. BECK

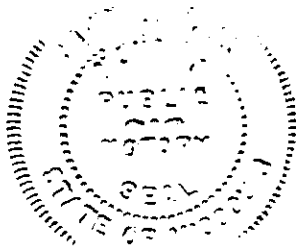
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)


Daniel I. Beck, is, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 4 pages to be presented in the above case; that the answers in the foregoing Direct 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

Subscribed and sworn to before me this 16th day of October 2001.





Notary Public

DAWN L. HAKE
Notary Public - State of Missouri
County of Cole
My Commission Expires Jan 9, 2005

My Commission Expires: