

Exhibit No.:
Issues: Class Cost-of-Service; Billing
Determinants
Witness: Anne Ross
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
ANNE ROSS
LACLEDE GAS COMPANY
CASE NO. GR-2001-629

Jefferson City, Missouri
October, 2001

FILED³
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Missouri Public
Service Commission

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1 **DIRECT TESTIMONY**
2 **OF**
3 **ANNE ROSS**
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 Anne Ross and my business address is P. O. Box 360, Jefferson City,
9 Missouri 65102.

10 Q. Are you the same Anne Ross 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 regard to class Cost-of-Service (C-O-S) and billing
15 determinants.

16 **Class Cost-of-Service**

17 Q. Did you develop a class C-O-S study in Case No. GR-2001-629?

18 A. Yes. I updated the class C-O-S study filed by Staff in Case No. GR-99-315 which
19 was Laclede's previous rate case.

20 Q. What is the purpose of a class C-O-S study?

21 A. A class C-O-S study indicates the revenue responsibilities of the various C-O-S
22 classes and calculates the related customer charges.

23 Q. What C-O-S classes are used in Staff's class C-O-S study?

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Anne Ross

1 A. Staff's class C-O-S includes eight (8) classes. These classes are the Residential,
2 Small General Service Commercial and Industrial, Liquid Propane, Large Volume,
3 Interruptible, Firm Transportation, Basic Transportation, and Unmetered Gas Light Classes.

4 Q. Please describe how Staff's class C-O-S study in Case No. GR-2001-629 was
5 updated.

6 A. First, all costs were adjusted to reflect the values in Staff Accounting Schedules
7 which were filed in this case on October 11, 2001. Next, all customer numbers, volumes,
8 and peak demands were modified to reflect the values calculated by Staff.

9 Q. Did the costs change significantly when compared to the previous case?

10 A. No, there was not a significant change in rate base or expenses. Almost every
11 cost component was updated to reflect the current Accounting Schedules.

12 Q. Are there any cost components that are not based upon the current Accounting
13 Schedules?

14 A. I did not include the "Estimated Change for True-up" which is on line 11 of
15 Accounting Schedule 1. If I were to include this estimate, I would allocate it based on class
16 C-O-S revenues and, therefore, it would not affect the results of the class C-O-S. As this
17 estimate is quantified, I would propose to update the class C-O-S study to reflect this
18 change. In addition, I developed class revenue estimates (current margin revenues) that
19 approximate the revenue contribution of the classes. In total, these rate revenues are the
20 same as those filed by the Staff on October 11, 2001.

21 Q. What are the results of the Staff's class cost-of-service study?

22 A. The results of Staff's class C-O-S study are shown on Schedule 1.

Billing Determinants

Q. Are the Staff's customer numbers used in developing allocation factors for this case appropriate to use as billing units when determining customer charges?

A. Yes, I believe that they are.

Q. Once the revenue increase is decided by the Commission, are the therm volumes used in developing allocation factors for this case appropriate to use as billing units when designing volumetric rates?

A. The volumes are appropriate for some of the tariff classes. For the Liquid Propane, Unmetered Gas Lights, and Vehicular Fuel customers, I believe that the therm volumes used in Staff's allocations can be used as billing determinants. In the case of the Residential and General Service Commercial and Industrial tariff classes, Laclede's rates are both blocked and seasonal, and Staff currently has these volumes separated into this level of detail.

Q. Are the therm volumes used to develop allocation factors for the Large Volume Sales, Interruptible Sales, and Firm and Basic Large Volume Transportation and Sales customer classes appropriate to use as billing determinants for setting rates?

A. I believe that, for each of these classes, the total therm volumes used in allocation factors are correct, however, for the Large Volume Sales, Interruptible Sales, and Firm and Basic Large Volume Transportation and Sales customer volumes, more work will need to be done before Staff has volumetric billing determinants. These classes have blocked rates, and I do not feel confident that we are, at this time, able to determine the correct number of therms in each block. I have requested clarifying information from the company, and when I

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1 receive that I will be able to develop billing determinants.

2 Q. How are these billing determinants used to set rates?

3 A. Using the Commission-ordered revenue increase in this case, the parties will work
4 together to design initial rates that will collect each class' revenue requirement. After doing
5 this, the Company typically identifies any customer that, given their usage level and
6 characteristics, might find it economically advantageous to switch to another rate class.
7 Since this rate-switching would result in an undercollection of revenues for the Company, the
8 parties would then perform an analysis that assumes that customers definitely will switch,
9 and adjust the volumetric rates to insure that the Commission-ordered revenue requirement is
10 collected.

11 Q. What if these customers do not realize that they could save money by switching to
12 another rate, and therefore don't?

13 A. In that case, the Company would collect more than the Commission-ordered
14 revenue requirement. As a result of the Stipulation and Agreement in Cases No. GR-96-193
15 and GR-96-13, the Company notified all customers identified in the rate-switching analysis
16 that an analysis of their account had indicated that they might be able to save money by
17 switching to another rate. Staff proposes that, as in the previous case, the Commission order
18 the Company to notify all customers identified in the rate-switching analysis. Laclede
19 provided Staff with a copy of the letter sent to those customers after the 1996 case, and it is
20 attached as Schedule 2.

21 Q. Does this conclude your testimony?

22 A. Yes.

CLASS COST-OF-SERVICE SUMMARY
LACLEDE GAS COMPANY
CASE NO. GR-2001-629
TEST YEAR ENDED FEBRUARY 28, 2001, UPDATED THROUGH JULY 31, 2001

	TOTAL	RESIDENTIAL	GENERAL SERVICE C & I	LIQUID PROPANE	LARGE VOLUME	INTERRUPT	FIRM TRANSPORT	BASIC TRANSPORT	UNMETERED GAS LIGHTS
RATE BASE	\$609,286,000	\$463,830,048	\$105,007,974	\$49,974	\$7,795,001	\$939,304	\$11,617,816	\$20,013,943	\$31,940
REQUESTED RETURN	7.9100%	7.9100%	7.9100%	7.9100%	7.9100%	7.9100%	7.9100%	7.9100%	7.9100%
RETURN ON RATE BASE	\$48,194,523	\$36,688,957	\$8,306,131	\$3,953	\$616,585	\$74,299	\$918,969	\$1,583,103	\$2,526
O & M EXPENSES	\$115,973,000	\$93,466,585	\$16,583,693	\$30,560	\$1,170,303	\$153,688	\$1,687,956	\$2,875,905	\$4,309
DEPRECIATION EXPENSE	\$19,004,000	\$14,291,973	\$3,233,032	\$4,432	\$249,663	\$26,862	\$426,428	\$770,636	\$974
AMORTIZATION EXPENSE	\$4,653,000	\$3,658,981	\$722,650	\$988	\$52,347	\$6,573	\$77,767	\$133,489	\$205
EXPLORATION/DEVELOPMENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LACLEDE PIPELINE/OTHER	-\$765,000	-\$493,291	-\$176,407	-\$42	-\$13,641	-\$2,235	-\$26,313	-\$53,039	-\$32
TAXES OTHER THAN INCOME	\$18,289,000	\$14,251,210	\$2,962,324	\$5,685	\$211,287	\$28,929	\$311,200	\$517,428	\$936
INCOME TAXES	\$15,315,000	\$11,658,822	\$2,639,478	\$1,256	\$195,935	\$23,610	\$292,025	\$503,070	\$803
=====									
TOTAL EXPENSES	\$172,469,000	\$136,834,279	\$25,964,770	\$42,879	\$1,865,895	\$237,428	\$2,769,064	\$4,747,490	\$7,195
TOTAL C-O-S	\$220,663,523	\$173,523,236	\$34,270,901	\$46,832	\$2,482,480	\$311,727	\$3,688,033	\$6,330,593	\$9,721
OTHER REVENUES	\$9,559,000	\$7,516,913	\$1,484,593	\$2,029	\$107,539	\$13,504	\$159,763	\$274,237	\$421
REQUIRED MARGIN REVENUE	\$211,104,523	\$166,006,322	\$32,786,308	\$44,803	\$2,374,940	\$298,223	\$3,528,270	\$6,056,356	\$9,300
CURRENT MARGIN REVENUES	\$215,751,000	\$166,857,479	\$35,575,954	\$36,561	\$2,530,627	\$455,151	\$4,060,366	\$6,208,641	\$26,221
AVERAGE GAS REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ZERO REVENUE INCREASE PL	\$4,646,477	\$3,653,852	\$721,637	\$986	\$52,273	\$6,564	\$77,658	\$133,302	\$205
C-O-S MARGIN REVENUES @	\$215,751,000	\$166,660,174	\$33,507,945	\$45,789	\$2,427,213	\$304,787	\$3,605,928	\$6,189,658	\$9,505
AVERAGE GAS COSTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
REVENUE INCREASE AT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
REVENUE ABOVE (BELOW) C	\$0	-\$2,802,695	\$2,068,009	-\$9,228	\$103,414	\$150,364	\$454,438	\$18,983	\$16,716
% INCREASE WITHOUT GAS	0.00%	1.68%	-5.81%	25.24%	-4.09%	-33.04%	-11.18%	-0.31%	-63.75%

LACLEDE GAS COMPANY
720 OLIVE STREET
ST. LOUIS, MISSOURI 63101

September 17, 1996

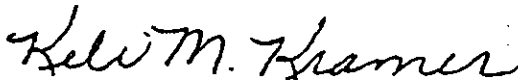
RE:

Since the conclusion of Laclede Gas Company's recent rate case proceedings before the Missouri Public Service Commission, we have identified a number of customer accounts, including your account, that may find it more economical to receive natural gas service from Laclede under a different rate classification.

If you wish to explore options available to you regarding your current billing rate and the potential to change to a rate that may be more economical, please call our Commercial Sales Department at (314) 342-0761.

We appreciate your business and look forward to discussing this issue, or any other issues you may have, with you at your convenience.

Sincerely,



Keli M. Kramer
Marketing Accounts Coordinator

KMK:ls

**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 ANNE ROSS

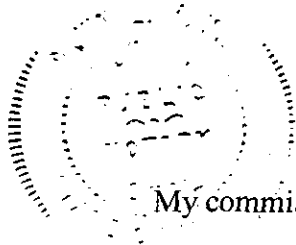
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Anne Ross, of lawful age, on her oath states: that she has participated in the preparation of the foregoing direct testimony in question and answer form, consisting of _____ pages of direct testimony to be presented in the above case, that the answers in the foregoing direct 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.

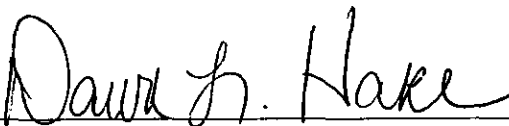


Anne Ross

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



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



Notary Public

My commission expires _____