

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

HEARING

July 2, 2004
Jefferson City, Missouri
Volume 22

In the Matter of Missouri)
Gas Energy's Tariffs to)
Implement a General Rate) Case No. GR-2004-0209
Increase for Natural Gas)
Service)

MORRIS L. WOODRUFF, Presiding,
SENIOR REGULATORY LAW JUDGE.

STEVE GAW, Chairman,
CONNIE MURRAY,
ROBERT M. CLAYTON,
JEFF DAVIS,
LINWARD "LIN" APPLING,
COMMISSIONERS.

REPORTED BY:

STEPHANIE L. KURTZ MORGAN, RPR, CCR
MIDWEST LITIGATION SERVICES

1 APPEARANCES:

2

ROBERT J. HACK, Attorney at Law
Missouri Gas Energy
3420 Broadway
Kansas City, Missouri 64111
(816) 360-5755

5

FOR: Missouri Gas Energy.

6

MARK W. COMLEY, Attorney at Law
Newman, Comley & Ruth
601 Monroe, Suite 301
P. O. Box 537
Jefferson City, Missouri 65102
(573) 634-2266

9

10 FOR: City of Kansas City.

11 STUART CONRAD, Attorney at Law
Finnegan, Conrad & Peterson
12 3100 Broadway
1209 Penntower Office Center
13 Kansas City, Missouri 64111
(816) 753-1122

14

FOR: Jackson County, CMSU, UMKC and Midwest Gas
Users Association.

15

16 MARC ELLINGER, Attorney at Law
JAMES DEUTSCH, Attorney at Law
17 Blitz, Bardgett & Deutsch
308 East High Street, Suite 301
18 Jefferson City, Missouri 65101-3237
(573) 634-2500

19

FOR: City of Joplin.

20

CRAIG PAULSON, Attorney at Law
21 AFLSA/ULT, 139 Barnes Drive, Suite 1
Tyndall AFB, Florida 32403
22 (850) 283-6350

23

24

25

1 APPEARANCES (CONTINUED):
2
3 DOUGLAS E. MICHEEL, Senior Public Counsel
4 200 Madison Street, Suite 650
5 P. O. Box 2230
6 Jefferson City, Missouri 65102-2230
7 (573) 751-4857
8
9 FOR: Office of the Public Counsel and the Public.
10
11 THOMAS R. SCHWARZ, JR., Deputy General Counsel
12 ROBERT FRANSON, Senior Counsel
13 200 Madison Street
14 P. O. Box 360
15 Jefferson City, Missouri 65102
16 (573) 751-3234
17
18 FOR: Staff of the Missouri Public Service
19 Commission.
20
21
22
23
24
25

1 P R O C E E D I N G S

2 JUDGE WOODRUFF: All right. Let's come to order.

3 Welcome back to the final day of GR-2004-0209. And we're
4 ready to move on to a new issue on low-income proposals.

5 And so we'll begin with many openings on that
6 issue, beginning with MGE.

7 MR. HACK: Good morning.

8 MGE has an extensive history of involvement in
9 low-income activities. We have customer advisors, three on
10 Staff, whose primary responsibility is connecting customers in
11 need of energy assistance with providers of energy assistance.

12 We've been involved with the low-income
13 weatherization program for at least 10 years. And we were the
14 first, I believe, utility in the state to implement a
15 low-income rate on an experimental basis down in the Joplin
16 part of our service territory.

17 We -- in this case we support increased funding of
18 the weatherization program in the Kansas City area and
19 throughout our service territory, because it has been shown to
20 be cost effective in the past. And -- and those showings, I
21 think, are even more relevant today with the increased gas
22 costs that we're experiencing and -- and are expected to
23 continue to experience for at least the foreseeable future.

24 We are willing to continue the Joplin low-income
25 rate as is, because funding in hand is sufficient, and we

1 believe the program deserves additional evaluation to
2 determine whether it's had or will have any positive impact on
3 customers' payment practices. In our view, no such showing
4 has been made yet with respect to the experiment low-income
5 rate in Joplin.

6 From a -- from a practical perspective, MGE lacks
7 the resources necessary to implement any additional low-income
8 programs or refinements or expansions of existing programs.

9 As the Commission is well aware, resources are not
10 limitless. Efforts must be focused. And we believe it is --
11 it is wisest to focus our limited resources on programs of
12 proven effectiveness like the weatherization program and, in
13 addition, to continue evaluating the Joplin low-income rate as
14 presently constituted.

15 Thank you very much.

16 JUDGE WOODRUFF: Thank you.

17 For Staff?

18 MR. SCHWARZ: Good morning.

19 I would like to begin by saying that -- informing
20 the Commission that the Staff and the Office of the Public
21 Counsel, I think, have reached an agreement on parameters for
22 weatherization, the experimental low-income program in Joplin,
23 as well as the proposed PAYS Program.

24 We have -- we're in the process now of getting that
25 in final form. We will, I hope, have that available and filed

1 later this afternoon.

2 We have -- at least I tried to circulate it at
3 the -- the draft agreement -- or the draft understanding to
4 the parties yesterday evening. I'm not sure that all of them
5 have had the opportunity to review them, but we'll be
6 addressing that later in the day.

7 As Staff believes that the low-income population is
8 a substantial portion of MGE's customer base, it is a portion
9 of MGE's customer base that -- that, given their payment
10 practices, poses significant problems for MGE. And certainly
11 deserves far more attention from MGE than MGE has given to
12 date, which is not to say that MGE hasn't done anything.

13 They do, in fact, have a weatherization program.
14 They do, in fact, have a low -- an experimental low-income
15 program. But MGE did not propose the experimental low-income
16 program. And, quite frankly, I don't know who propo-- I can't
17 remember who proposed the initial weatherization program.

18 I know that there was an experiment -- an
19 experimental weatherization program in place before
20 MGE acquired its Missouri properties.

21 Staff believes that it -- it is appropriate to
22 provide MGE with the resources needed to fund programs to
23 bring low-income customers into the regular paying profile of
24 its other customers. And our testimony will focus on those
25 aspects.

1 Thank you.

2 JUDGE WOODRUFF: Thank you, sir.

3 For Public Counsel?

4 MR. MICHEEL: Thank you, Your Honor.

5 I would just echo what Mr. -- Mr. Schwarz said

6 regarding a -- a proposed non-unanimous stipulation and

7 agreement. That we are in the process of drafting that will

8 eliminate any disagreements with respect to the Office of the

9 Public Counsel and the Staff, as it relates to essentially the

10 three programs that have been offered up.

11 And those three programs are the weatherization

12 program, the experimental low-income program and the Pay As

13 You Save Program, also known as the PAYS Program.

14 I think that the evidence is going to demonstrate

15 here -- and -- and indeed a lot of the evidence has already

16 come into the record. And the evidence from customers at the

17 local public hearings clearly indicates that affordability of

18 rates is a major issue for customers.

19 And what the Staff and the Public Counsel are

20 proposing are programs that will be paid for by residential

21 ratepayers for the benefit of low-income customers to work to

22 ensure that rates for low-income customers are affordable.

23 And I think the evidence is going to demonstrate

24 that there are going to be significant benefits -- or benefits

25 to the general body of ratepayers due to the reduced bad-debt

1 costs.

2 And we've heard a lot about the bad-debt costs.
3 There's been a lot of testimony pre-filed on the issue of how
4 MGE's bad-debt costs have been going up.

5 And all of these programs that we were proposing
6 benefit the general body of ratepayers or we would not be
7 proposing those programs.

8 I think you're going to see the specifics of those
9 programs set out in our unanimous -- non-unanimous -- excuse
10 me -- stipulation and agreement. We're going to be presenting
11 the testimony on of Barbara Meisenheimer on those issues.

12 I think at the end of the day when all of the
13 evidence is heard and the Commission has had a chance to look
14 at the non-unanimous stipulation and agreement, you're going
15 to come to the conclusion that the weatherization program
16 should be increased, that the experimental low-income rate
17 should be expanded as proposed by now the Office of the Public
18 Counsel and the Staff, and that we should investigate an
19 experimental energy-efficiency program -- the Pay As You Save
20 Program on an ongoing basis.

21 Thank you very much.

22 JUDGE WOODRUFF: Thank you.

23 Midwest Gas?

24 MR. CONRAD: Yes, Your Honor, please, we have no
25 statement on this issue.

1 JUDGE WOODRUFF: Thank you.
2 Jackson County?
3 MR. DEUTSCH: We have no statement on this -- on
4 this issue.
5 JUDGE WOODRUFF: Federal Agencies?
6 MR. PAULSON: We have no statement on this issue.
7 JUDGE WOODRUFF: City of Kansas City?
8 MR. COMLEY: Thank you, Judge.
9 May it please the Commission, Judge Woodruff. For
10 the court reporter, I'm Mark Comley. We probably have not
11 been introduced. And I represent the City of Kansas City.
12 And when I came here on June 21st, I mentioned that
13 the City had appeared in this case for a -- really the single,
14 but very important issue concerning low-income weatherization.
15 The program is currently administered by the City of Kansas
16 City through one of its City departments.
17 The City has been involved recently in other cases
18 involving weatherization. The Commission will recall the
19 City's participation in the recent cases filed by Aquila where
20 with the Commission approval Aquila is now implementing for
21 the first time low-income weatherization programs for
22 eligibility ratepayers.
23 To us this represents significant strides for a
24 program that has proved itself worthy over and over again, as
25 Mr. Hack and I think Mr. Schwarz, and even Mr. Micheel have --

1 have shown in their own remarks this morning.

2 The City is sponsoring the testimony of one
3 witness, and that's Mr. Robert Jackson. And I think he's
4 become a familiar face here.

5 He is the weatherization program administrator with
6 the City of Kansas City, and he is in charge of the department
7 through the Housing and Community Development section of the
8 City to handle that program.

9 The low-income programs -- the low-income
10 weatherization programs that we are seeing in the industry now
11 I think really had their birthplace with the MGE low-income
12 weatherization program.

13 And Mr. Jackson has been involved with the
14 MGE weatherization program from its cradle to the present. He
15 brings a lot of resource and he brings a lot of experience to
16 the issue. He is directly responsible for the overall
17 management of the low-income weatherization program for the
18 City.

19 As Mr. Hack explained, MGE currently supports that
20 home weatherization program, and he -- and it does so with an
21 annual commitment of about \$250,000. This has been the level
22 of support for 10 years, which is about the length of the
23 program itself.

24 Mr. Jackson testifies that his office is witnessing
25 even greater demand, and I think demand has -- has been spoken

1 of already. And, in fact, he estimates that he has seen more
2 than double the demand for qualified -- of qualified
3 applications for this service.

4 So it's not a surprise, I hope, that Mr. Jackson is
5 recommending to the Commission that it approve a doubling of
6 MGE's annual support amount for the low-income weatherization
7 program. He has recommended that \$500,000 be set aside by MGE
8 just in the Kansas City area of its service territory for the
9 support of this very valuable program.

10 The Commission will find, as it probably has
11 already, that MGE , the Commission Staff and Public Counsel
12 are in agreement about the benefits of this program, and each
13 of the advanced proposals in their respective testimonies by
14 which funding of the program can be increased.

15 For example, Mr. Noack, a Company Witness, has
16 proposed an increase of \$160,000, and to the City this
17 represents a -- a very loud ringing endorsement of the
18 program.

19 Other parties have advanced combinations of
20 low-income programs and efficiency programs, each with
21 components that involve increased support for the existing
22 low-income weatherization plan.

23 Staff and Public Counsel have apparently reached a
24 handshake on something that we have not had an opportunity to
25 review. But not having reviewed it and -- and hearing what

1 I've heard this morning, I think that not what -- nothing in
2 their agreement has diminished their enthusiasm for the
3 low-income weatherization program that's presently in place.

4 I think the issue for the Commission is not
5 whether, it's just how much. The City recommends that the
6 Commission approve of at least an annual increase of \$250,000
7 for MGE's funding ing for the local low-income weatherization
8 program administered by the City. We think the evidence
9 supports that recommendation.

10 JUDGE WOODRUFF: Thank you, Mr. Comley.

11 City of Joplin -- anyone here for Joplin?

12 MR. ELLINGER: May it please the Commission, Judge.
13 For the court reporter, my name is Marc Ellinger. I represent
14 the City of Joplin.

15 The experimental low-income rate program was
16 initially put into effect in the last rate case. And I think
17 most parties, if not all, will agree that the program has
18 merit.

19 We've been very supportive of it. And I think
20 has -- it is a test program, and we are generating results to
21 find out whether -- and how effective it will be. It is not a
22 complete program at this point.

23 And as a result, I think it would be a mistake to
24 disrupt it or reduce it until we can complete the program and
25 get our results. The surcharge -- it's a very minor

1 surcharge, it's a small-dollar amount, it's paid by residential
2 customers and it does benefit low-income ratepayers.

3 If the Company has a concern about administrative
4 costs or administrative burden, I think that that can be
5 addressed. And to that extent, I think that the proposed
6 non-unanimous stipulation has some merit.

7 We have received an additional copy of it this
8 morning with some changes. But as a conceptual framework, the
9 City of Joplin would probably support that non-unanimous
10 stipulation. If we can work the language out, we will
11 probably be a signatory on it.

12 It's important that we continue help for low-income
13 ratepayers. And as a result, the City of Joplin would urge
14 this Commission to continue the experimental low-income rate
15 program in its current status or with if the unanimous
16 stipulation is agreed to in a slightly revised status that
17 benefits all low-income ratepayers both with the -- a low rate
18 and also with the weatherization program tied to it.

19 Thank you.

20 JUDGE WOODRUFF: Thank you.

21 All right. Then we'll go on to the first witness,
22 which is Mike Noack for MGE.

23 MR. COMLEY: Judge Woodruff, I meant to mention
24 something to the Commission at the close of my remarks.

25 Mr. Jackson was scheduled to appear this afternoon

1 on the issue, and had set up his schedule for the week to
2 account for that. Apparently he is going to be delayed this
3 morning, and probably will not be here until about 10 or
4 10:30.

5 And, if necessary, I was going to ask the parties
6 if we could take his testimony out of order.

7 JUDGE WOODRUFF: All right.

8 MR. SCHWARZ: Staff has no objection.

9 JUDGE WOODRUFF: We'll -- we'll accommodate him as
10 best we can.

11 MR. COMLEY: Thank you.

12 MR. MICHEEL: Your Honor, in light of the fact
13 that -- that we're trying to file a unanimous -- non-unanimous
14 stipulation and agreement, would it be appropriate to perhaps
15 suspend the proceedings so we can get that on file so -- so
16 the Commissioners can see that, and perhaps take this up after
17 the ten o'clock presentation?

18 JUDGE WOODRUFF: Let me ask, Mr. Hack, does MGE
19 have a position on this non-unanimous stipulation agreement
20 yet?

21 MR. HACK: I -- I expect that we will -- will not
22 be a signatory, and that we will not be able to support it.
23 But I have not had a chance to review it.

24 JUDGE WOODRUFF: Key question will be will --
25 whether or not you'll oppose it.

1 MR. HACK: I think it's safe to assume that we
2 probably would.

3 JUDGE WOODRUFF: Okay. Well, of course, as -- as
4 you're all aware, a non-unanimous stipulation that's opposed
5 by a party will -- will need to have testimony anyway.

6 Mr. Schwarz?

7 MR. SCHWARZ: Judge, if -- if I might, I think that
8 even a -- a half hour would probably be enough time for us to
9 get it in -- in final form and get it filed.

10 And I think that -- that a delay of that nature
11 is -- is --

12 JUDGE WOODRUFF: Okay.

13 MR. SCHWARZ: I -- I think that kind of cost is
14 probably worth the -- the effort.

15 JUDGE WOODRUFF: Does anyone anticipate extensive
16 cross-examination of these witnesses anyway?

17 MR. CONRAD: Judge?

18 MR. SCHWARZ: I -- I don't know how long mine of
19 Mr. Noack will take. But I wouldn't expect more than an
20 hour's worth, but probably not that much.

21 JUDGE WOODRUFF: Okay.

22 MR. CONRAD: Judge, I don't have any significant
23 cross at all for -- pardon me -- for the witnesses on this
24 issue. I do have -- and -- and I would hope it would be very
25 few, questions for Mr. Noack tailending as -- as we have

1 talked back with Exhibit 602 --

2 JUDGE WOODRUFF: Yes.

3 MR. CONRAD: -- and what we did with that to try to

4 close that issue out, since he is the responding party on any

5 of these Data Requests.

6 JUDGE WOODRUFF: All right.

7 MR. CONRAD: And whether or not that could be done

8 while this other is going on, I will leave to your discretion.

9 But I just wanted to respond to your question.

10 JUDGE WOODRUFF: Mr. Hack, what's your view on all

11 of this?

12 MR. HACK: You know, people have -- the parties

13 have been very accommodating for -- for our witnesses

14 throughout this proceeding, and we would like to extend the

15 same kind of accommodation. And it has been a long two weeks,

16 though, and we would -- Mr. Noack and I'd like to get back to

17 Kansas City as soon as we can.

18 So, you know, I don't believe that -- that we

19 really need to delay, certainly Mr. Noack. I mean, we're not

20 a signatory to the agreement. And -- and we should, at a

21 minimum, proceed with him this morning.

22 And -- and I -- so I guess that's -- we want to be

23 helpful, we want to be accommodating, but -- but we also want

24 to leave.

25 JUDGE WOODRUFF: It has been a long two weeks.

1 MR. CONRAD: And I should say, Judge, we don't
2 have -- I didn't -- and I hope my comment wasn't perceived as
3 a an -- as objection to the --
4 JUDGE WOODRUFF: I understand.
5 MR. CONRAD: -- suggestion about a half-hour break
6 or something if that would be helpful.
7 JUDGE WOODRUFF: What we'll do is we'll go ahead
8 and do Mr. Noack now. At that point we'll -- When we're done
9 with him, we'll -- we'll take a break. We'll come back and
10 have -- we're scheduled for questions from the Commissioners
11 on the -- the other stipulation agreement at ten o'clock
12 anyway. So we'll go ahead with Mr. Noack now.
13 Welcome back, Mr. Noack.
14 MR. NOACK: Thank you, Your Honor.
15 JUDGE WOODRUFF: And, as you're aware, you're still
16 under oath.
17 MR. NOACK: Yes, sir.
18 JUDGE WOODRUFF: All right. You may -- you may
19 inquire.
20 MR. HACK: Judge, I think all I really need to do
21 is move the admission, if it hasn't already been done, of
22 Exhibits 8, 9, 10 and 11, which are Mr. Noack's direct,
23 updated direct, rebuttal and surrebuttal testimony.
24 JUDGE WOODRUFF: All right. Exhibits 8, 9, 10 and
25 11 have been offered into evidence. Are there any objections

1 to their receipt?

2 (No response.)

3 JUDGE WOODRUFF: Hearing none, they will be

4 received into evidence.

5 (EXHIBIT NOS. 8 THROUGH 11 WERE RECEIVED INTO

6 EVIDENCE.)

7 MR. HACK: And we would pass the witness.

8 JUDGE WOODRUFF: All right. For cross-examination,

9 then, we'll begin with City of Kansas City?

10 MR. COMLEY: No questions.

11 JUDGE WOODRUFF: City of Joplin?

12 MR. ELLINGER: Thank you, Judge.

13 MICHAEL NOACK, having been previously sworn, testified as

14 follows:

15 CROSS-EXAMINATION BY MR. ELLINGER:

16 Q. Good morning, Mr. Noack. My name is Marc Ellinger.

17 I represent the City of Joplin.

18 A. Good morning.

19 Q. A couple of very -- very brief questions for you

20 regarding the ELIR program in the City of Joplin.

21 This was a test program that was initially

22 implemented in the last rate case; isn't that correct?

23 A. That's correct.

24 Q. And the purpose of the test program was to generate

25 some returns to be evaluated as to perhaps expansion sometime

1 in the future, or if it was not a successful program, to not
2 extend it; isn't that correct?

3 A. That's correct.

4 Q. And that -- those test results -- that data result
5 is not complete at this point, is it?

6 A. No, it's not.

7 Q. Okay. Currently my understanding of MGE's position
8 is that you-all would like to continue the program only using
9 the remaining dollars that are left over; is that correct?

10 A. That's correct.

11 Q. So MGE is going to oppose continuing the program
12 once that pot of money runs out?

13 A. I think with the -- what the plan is there is, I
14 mean, it -- when we get to the end of the program, I mean,
15 we'll have better data to see, you know, how -- how effective
16 it was.

17 And at that point in time, then I think we would
18 need to address going forward or -- or ending it.

19 Q. The -- the total amount of surcharge that's applied
20 to residential customers is a relatively small amount per
21 customer, isn't it, Mr. Noack?

22 A. Well, right now there is no more surcharge that's
23 even being applied. It was 8 cents.

24 Q. Right. And -- and in going forward, if the program
25 was continued and the surcharge was continued, that would

1 remain at a relatively low -- low burden upon residential
2 customers -- it'd almost be non-existent?

3 A. Depending on the level of participation that you
4 were looking for, that would have an effect on the -- the
5 level of surcharge, correct.

6 Q. One thing that we were un-- I am unable to tell is,
7 why does MGE oppose continuing the surcharge and continuing
8 the program?

9 A. Well, I mean, as -- as I've said, we're not
10 suggesting to discontinue the program. But as -- when we
11 started the program, the parameters were set that -- that we
12 would find a thousand families that needed assistance.

13 And I believe we started with a base of
14 25,000 families down in Joplin. And it was the -- excuse
15 me -- it was the Joplin zip code.

16 And through the assistance of the Department of
17 Family Services here in Jeff City, we were able to send out
18 letters offering the program to -- probably in the
19 neighborhood of 2,000, 1,700, something like that. I -- I
20 don't recall the exact number.

21 We only got response from 500, we'll say. So what
22 we did next was we expanded the area to be served by the
23 program to include all of the zip codes surrounding Joplin. I
24 believe it included Carthage and -- and some of these other
25 communities immediately around Joplin.

1 And, once again, there were probably another
2 20,000, 25,000 potential families. And with DFS we sent it
3 out, and we got another 400 families to participate. So we
4 never even made it to the thousand to start with.

5 Q. And did you do any follow-up activities besides
6 just bulk mailing a letter out to these 2,000 or 4,000 folks?
7 Did you make phone calls, did you have any community
8 representatives to go out and talk to these folks to try to
9 get them involved in the program?

10 A. We talked to -- we talked to several of the
11 customers. Because those that did participate -- at the time
12 there -- there was a -- and there still is -- I mean, there
13 was a -- a requirement that, in order to get the -- the \$20 or
14 \$40 credit, they needed to be on our level pay plan.

15 And it turned out that once the -- the summer
16 arrived and the -- there were several. I mean -- and a lot of
17 customers that decided they didn't want to be in the program
18 anymore, because they didn't want to be on level pay, even if
19 it meant getting a \$20 or \$40 credit to a \$60 or \$70 level pay
20 plan.

21 So immediately with the beginning of summer we had
22 people drop off.

23 Q. Were there significant -- were there any real
24 administrative costs on MGE's basis?

25 A. Yeah, there -- there were. I mean --

1 Q. Well, could you --
2 A. -- we had --
3 Q. -- could you quantify those costs? How many
4 dollars was the cost to administer the program?
5 A. I don't know that -- that we really quantified the
6 costs.
7 Q. Okay. If a community action agency, a local entity
8 worked on administering the program, would that pretty much
9 eliminate the cost to MGE besides (sic) collecting the money
10 from its other customers and putting it in a pool?
11 A. That would help immensely, yes.
12 Q. Okay.
13 A. Because the -- the major problem that we had at the
14 time was that we couldn't get information on income levels
15 directly from the state. We had to -- it was a three-step
16 process.
17 We had to go to, them and then anonymously, you
18 know, they would -- they really sent out things.
19 Q. So if -- if we had a local agency that's able to do
20 the administration, that would really overcome your objections
21 on the cost side; is that correct?
22 A. I believe it would -- it would help a lot, yes.
23 MR. ELLINGER: All right. Thank you.
24 I have no further questions, Judge.
25 JUDGE WOODRUFF: Thank you.

1 Federal Agencies?

2 MR. PAULSON: No questions, sir.

3 JUDGE WOODRUFF: Midwest Gas?

4 MR. CONRAD: Judge, I'm concerned if there isn't a
5 more efficient way to do this. But I have a handful of Data
6 Requests, some of which were in that 602.

7 JUDGE WOODRUFF: Okay.

8 MR. CONRAD: What we have done as to those, is we
9 have been able to get those out on individual pages -- just
10 the ones that we were interested in.

11 JUDGE WOODRUFF: All right.

12 MR. CONRAD: And I will defer to you -- my
13 intention would be to ask Mr. Noack -- I think our next number
14 is 613, if I'm correct.

15 JUDGE WOODRUFF: It is.

16 MR. CONRAD: If I had been assured of that last
17 night, I could have started on this packet and saved everybody
18 some time.

19 I would like to seek instruction as to how most
20 efficiently to proceed, because I don't want to take too much
21 time.

22 JUDGE WOODRUFF: I assume you want to mark each --

23 MR. CONRAD: Yes.

24 JUDGE WOODRUFF: -- Data Request as a separate
25 exhibit?

1 MR. CONRAD: Yes.

2 JUDGE WOODRUFF: Let's go ahead and do that, then.

3 (EXHIBIT NO. 613 WAS MARKED FOR IDENTIFICATION.)

4 CROSS-EXAMINATION BY MR. CONRAD:

5 Q. Good morning, Mr. Noack.

6 A. Good morning.

7 Q. We're gonna be going through several of these. And

8 my intention, sir, is not to ask you anything else on any of

9 them than just -- that that's your signature and that

10 that's -- that's a good copy of it.

11 Okay. And so with respect to what's been marked as

12 613, is that your signature and is that an accurate copy of

13 it?

14 A. Yes.

15 MR. HACK: And -- and we may be able to speed this

16 up if -- if Counsel could show them to me, we may be able to

17 stipulate.

18 MR. CONRAD: That may not cover the other part of

19 this, but --

20 JUDGE WOODRUFF: Well, let's just go ahead and do

21 it this way.

22 MR. HACK: Okay.

23 JUDGE WOODRUFF: I -- I assume that you're just

24 gonna offer them now?

25 MR. CONRAD: (Nodding.)

1 JUDGE WOODRUFF: All right.

2 MR. CONRAD: But my -- but, Judge, my intention is
3 not to ask him questions about them.

4 JUDGE WOODRUFF: I understand.

5 BY MR. CONRAD:

6 Q. So --

7 A. Yes.

8 MR. CONRAD: Okay. I'll move 613.

9 JUDGE WOODRUFF: 613 has been offered into
10 evidence. Are there any objections to its receipt?

11 (No response.)

12 JUDGE WOODRUFF: Hearing none, it will be received
13 into evidence.

14 (EXHIBIT NO. 613 WAS RECEIVED INTO EVIDENCE.)

15 (EXHIBIT NO. 614 WAS MARKED FOR IDENTIFICATION.)

16 BY MR. CONRAD:

17 Q. And, Mr. Noack, I'll show you what's been marked
18 for identification as Exhibit 614. Can you authenticate that
19 exhibit, please?

20 A. This is the response to Jackson County D-- Data
21 Request 30.

22 MR. CONRAD: Move 614, Your Honor.

23 JUDGE WOODRUFF: 614 has been offered into
24 evidence. Are there any other objections to its receipt?

25 (No response.)

1 JUDGE WOODRUFF: Hearing none, that will be
2 received into evidence.
3 (EXHIBIT NO. 614 WAS RECEIVED INTO EVIDENCE.)
4 JUDGE WOODRUFF: This will be 615.
5 (EXHIBIT NO. 615 WAS MARKED FOR IDENTIFICATION.)
6 BY MR. CONRAD:
7 Q. Mr. Noack, I show you what's been marked as Exhibit
8 615 for identification purposes. Would you please
9 authenticate that?
10 A. That is MGE's response to Johnson County Data
11 Request 31.
12 MR. CONRAD: Your Honor, I'll move admission of
13 615.
14 JUDGE WOODRUFF: All right. 615 has been offered.
15 Are there any objections to its receipt?
16 (No response.)
17 JUDGE WOODRUFF: Hearing none, it will be received
18 into evidence.
19 (EXHIBIT NO. 615 WAS RECEIVED INTO EVIDENCE.)
20 JUDGE WOODRUFF: 616.
21 (EXHIBIT NO. 616 WAS MARKED FOR IDENTIFICATION.)
22 BY MR. CONRAD:
23 Q. Mr. Noack, I show you what's been marked as
24 Exhibit 616. Please authenticate that exhibit as briefly as
25 you can.

1 A. That is MGE's response to Johnson County Data
2 Request No. 32.

3 MR. CONRAD: Your Honor, I move admission of 616
4 into the record.

5 JUDGE WOODRUFF: 616 has been offered into
6 evidence. Are there any objections to its receipt?

7 (No response.)

8 JUDGE WOODRUFF: Hearing none, that will be
9 received into evidence.

10 (EXHIBIT NO. 616 WAS RECEIVED INTO EVIDENCE.)

11 JUDGE WOODRUFF: So 617.

12 (EXHIBIT NO. 617 WAS MARKED FOR IDENTIFICATION.)

13 BY MR. CONRAD:

14 Q. Mr. Noack, I show you what's been marked as
15 Exhibit 617, and ask you to authenticate that exhibit, please.

16 A. This is MGE's response to Jackson County Data
17 Request 34.

18 MR. CONRAD: Your Honor, I'll move admission of 617
19 into the record.

20 JUDGE WOODRUFF: All right. 617 has been offered
21 into evidence. Are there any objections to its receipt?

22 (No response.)

23 JUDGE WOODRUFF: Hearing none, it will be received.

24 (EXHIBIT NO. 617 WAS RECEIVED INTO EVIDENCE.)

25 JUDGE WOODRUFF: So 618.

1 (EXHIBIT NO. 618 WAS MARKED FOR IDENTIFICATION.)

2 BY MR. CONRAD:

3 Q. Mr. Noack, I show you what has been marked for

4 identification as Exhibit 618. Please authenticate that

5 exhibit for me.

6 A. 618 is MGE's response to Jackson County Data

7 Request No. 35.

8 MR. CONRAD: Your Honor, I move admission of 618.

9 JUDGE WOODRUFF: All right. 618 has been offered

10 into evidence. Are there any objections to its receipt?

11 (No response.)

12 JUDGE WOODRUFF: Hearing none, it will be received

13 into evidence.

14 (EXHIBIT NO. 618 WAS RECEIVED INTO EVIDENCE.)

15 JUDGE WOODRUFF: How many more do we have?

16 MR. CONRAD: A few.

17 JUDGE WOODRUFF: Yeah, I understand, though. This

18 is -- this seems to be working pretty well.

19 This will be 619.

20 (EXHIBIT NO. 619 WAS MARKED FOR IDENTIFICATION.)

21 BY MR. CONRAD:

22 Q. Mr. Noack, I show you what's been marked for

23 identification as Exhibit 619. Please authenticate that

24 exhibit.

25 A. 619 is MGE's response to Jackson County Data

1 Request No. 36.

2 MR. CONRAD: And, Your Honor, I would move, then,
3 for admission of Exhibit 619 into the record.

4 JUDGE WOODRUFF: All right. 619 has been offered
5 into evidence. Are there any objections to its receipt?

6 (No response.)

7 JUDGE WOODRUFF: Hearing none, it will be received
8 into evidence.

9 (EXHIBIT NO. 619 WAS RECEIVED INTO EVIDENCE.)

10 JUDGE WOODRUFF: 620.

11 (EXHIBIT NO. 620 WAS MARKED FOR IDENTIFICATION.)

12 BY MR. CONRAD:

13 Q. Mr. Noack, I show you what's been marked for
14 identification as Exhibit 620. Please authenticate that
15 exhibit.

16 A. 620 is MGE's response to Jackson County Data
17 Request No. 37.

18 MR. CONRAD: Move admission of 620, Your Honor.

19 JUDGE WOODRUFF: 620 has been offered into
20 evidence. Are there any objections to its receipt?

21 (No response.)

22 JUDGE WOODRUFF: Hearing none, it will be received
23 into evidence.

24 (EXHIBIT NO. 620 WAS RECEIVED INTO EVIDENCE.)

25 JUDGE WOODRUFF: 621.

1 (EXHIBIT NO. 621 WAS MARKED FOR IDENTIFICATION.)

2 BY MR. CONRAD:

3 Q. Mr. Noack, I show you what has been marked for

4 identification as Exhibit 621. Please authenticate that

5 exhibit.

6 A. 621 is MGE's response to Jackson County Data

7 Request 38.

8 MR. CONRAD: Your Honor, I move admission of 621

9 into the record.

10 JUDGE WOODRUFF: 621 has been offered. Are there

11 any objections to its receipt?

12 (No response.)

13 JUDGE WOODRUFF: Hearing none, it will be received

14 into evidence.

15 (EXHIBIT NO. 621 WAS RECEIVED INTO EVIDENCE.)

16 MR. CONRAD: Now, your Honor, the next series --

17 one, two, three, four, five, six -- looks like about eight are

18 responses to Data Requests.

19 Of course, I mentioned a few moments ago that they

20 have already been admitted in mass in that 602 exhibit.

21 JUDGE WOODRUFF: Uh-huh.

22 MR. CONRAD: My question is, we've -- we've got

23 them broken out on individual sheets -- just the ones in which

24 we were interested.

25 JUDGE WOODRUFF: Okay.

1 MR. CONRAD: And I don't -- I -- I don't want to
2 have you, you know, admitting them twice because, in effect,
3 these have already been admitted in 602.
4 How would you -- I'm interesting on saving your
5 time.
6 JUDGE WOODRUFF: So this is just a limitation --
7 there are fewer of them than in 602?
8 MR. CONRAD: Yes, sir.
9 JUDGE WOODRUFF: But the entire Data Request was
10 admitted in 602?
11 MR. CONRAD: That's -- that's correct.
12 How we got it in 602, and I think, looking back at
13 Mr. Noack's testimony at that point, we got a list.
14 JUDGE WOODRUFF: Yes.
15 MR. CONRAD: These are on that list.
16 JUDGE WOODRUFF: There's probably not any need to
17 put them in again, then. And you can simply refer in your
18 briefs to -- to which ones you want.
19 MR. CONRAD: To the numbers -- if that's acceptable
20 to you, that's acceptable to me.
21 JUDGE WOODRUFF: That's acceptable to me.
22 MR. CONRAD: So that will be acceptable to me.
23 JUDGE WOODRUFF: Okay.
24 MR. CONRAD: Okay. I have a few more questions,
25 then, for Mr. Noack. In fact, if I can ask you to do the roll

1 back, cuz he won't be back.

2 JUDGE WOODRUFF: Yes.

3 MR. CONRAD: Because he and his counsel would like

4 to go home --

5 JUDGE WOODRUFF: I can't imagine why.

6 MR. CONRAD: -- after quite a while.

7 BY MR. CONRAD:

8 Q. Mr. Noack, you have been -- at least in a prior

9 life, to have been considered to be something of an expert at

10 least at providing testimony on transportation issues; is that

11 true?

12 A. I have, yes.

13 Q. Okay. In point of fact, you did provide testimony

14 to this Commission in Case No. GR-98-140 on March 17, 1998.

15 Do you recall anything about that case or that

16 testimony?

17 A. I -- I recall participating in the case, yes.

18 Q. Okay. And in connection with your direct

19 testimony -- actually on page 10 of that direct testimony,

20 were you asked, what is the source of the cost relating to gas

21 storage inventory? And did you answer, MGE's gas storage

22 inventory costs appear to represent the costs that MGE claims

23 are associated with maintaining an inventory of natural gas in

24 natural gas storage caverns that are owned by others, and in

25 which MGE buys storage space.

1 It is my understanding that under FERC Order 676,
2 local distribution companies, such as MGE or its predecessor,
3 were given the opportunity to purchase supplies of natural gas
4 in storage that had been previously owned by the interstate
5 pipeline -- these supplies are maintained to provide reliable
6 service to its firm system supply customers to enable MGE to
7 better manage its supply of system gas, and in some instances
8 to permit MGE to take advantage of short-term pricing
9 opportunities.

10 Do you remember that question and answer?

11 A. If -- if you say it's in the testimony, I have no
12 reason to doubt you.

13 MR. CONRAD: Approach?

14 JUDGE WOODRUFF: You may approach.

15 BY MR. CONRAD:

16 Q. Now, Mr. Noack, you have that in front of you.
17 Would you confirm that is true -- the question and answer that
18 I read?

19 A. Yes.

20 Q. Would you -- at the very bottom of that page
21 there's a question and an answer that carries over to the top
22 of the next page. Would you read that question and answer for
23 us, please?

24 A. Question: How has MGE allocated costs associated
25 with its inventory of storage gas? Answer: MGE has allocated

1 this cost, based on the demand of capacity allocation factor
2 with the result of allocating a portion of these costs to
3 transportation customers.

4 However, transportation customers purchase their
5 own supplies of gas, and have the opportunity to make their
6 own storage arrangements if they desire.

7 System supply gas and inventory is not provided for
8 transportation customers, and transportation customers have no
9 right to take natural gas from MGE storage inventory.

10 And were they to make such withdrawals through
11 unauthorized overruns of their scheduled transportation
12 volumes, they would possibly incur substantial penalties.

13 Accordingly, no portion of the costs associated
14 with this inventory should be assigned to the transportation
15 customers, as they have no claim to service from this storage.

16 Q. And, Mr. Noack, the document that I've showed you
17 is an extraction of a couple of pages from your testimony in
18 that proceeding that was filed on March 17, and in that
19 proceeding was assigned in Exhibit 96.

20 Do you concur?

21 A. That's what it says on here, yes.

22 MR. CONRAD: Yeah.

23 Your Honor, I seek leave. Although these are
24 documents that have been filed with the Commission, this is an
25 extraction, simply to save paper and volume of the relevant

1 questions and answers.

2 We can mark this as an exhibit, if -- if you would

3 like.

4 JUDGE WOODRUFF: Let's go ahead and mark it.

5 MR. CONRAD: Okay.

6 JUDGE WOODRUFF: 622.

7 (EXHIBIT NO. 622 WAS MARKED FOR IDENTIFICATION.)

8 BY MR. CONRAD:

9 Q. Mr. Noack, the document that you and I both were

10 reading from has now been marked and is before you as

11 Exhibit 622 for identification purposes.

12 Is that, in fact, the document from which you were

13 reading and we were discussing?

14 A. Yes.

15 Q. And does that appear to you to be the cover page,

16 your affidavit, and selected pages from your testimony in that

17 proceeding?

18 A. Yes, it does.

19 MR. CONRAD: Your Honor, I move admission of 622.

20 JUDGE WOODRUFF: All right. Exhibit 622 has been

21 offered into evidence. Are there any objections to its

22 receipt?

23 (No response.)

24 JUDGE WOODRUFF: Hearing none, it will be received

25 into evidence.

1 (EXHIBIT NO. 622 WAS RECEIVED INTO EVIDENCE.)

2 MR. CONRAD: And, Your Honor, to save time, I have

3 a similar packet from Mr. Noack's rebuttal testimony from that

4 proceeding.

5 JUDGE WOODRUFF: Okay. 623.

6 (EXHIBIT NO. 623 WAS MARKED FOR IDENTIFICATION.)

7 BY MR. CONRAD:

8 Q. Mr. Noack, I show you what has been marked as

9 Exhibit 623 in these proceedings, and bears an exhibit number

10 of 97 in an earlier proceeding?

11 A. Excuse me.

12 Q. I would represent to you that this consists of a

13 cover page, it would appear, of your rebuttal testimony that

14 was filed on April 23, 1998 in GR-98-140, a copy of your

15 affidavit, and it looks like about four pages from that

16 testimony packet.

17 Can you confirm that, please, sir?

18 And, Mr. Noack, I do have the full originals here,

19 if you would like to compare them.

20 A. No, these -- these appear to be.

21 MR. CONRAD: Your Honor, move admission of 623.

22 JUDGE WOODRUFF: All right. 623 has been offered

23 into evidence. Any objections to its receipt?

24 (No response.)

25 JUDGE WOODRUFF: Hearing none, it will be received

1 into evidence.

2 (EXHIBIT NO. 623 WAS RECEIVED INTO EVIDENCE.)

3 MR. CONRAD: And one more packet here, Your Honor,

4 and we're done.

5 JUDGE WOODRUFF: 624.

6 (EXHIBIT NO. 624 WAS MARKED FOR IDENTIFICATION.)

7 BY MR. CONRAD:

8 Q. Mr. Noack, I show you now what has been marked for

9 identification in this proceeding as Exhibit 624, and bears an

10 exhibit number from a prior proceeding from 98.

11 I would represent to you that that consists of a

12 cover page from your testimony filed in GR-98-140 as your

13 prepared surrebuttal testimony on May 15th, 1998 -- bears the

14 file stamp of the Commission. The second page is your

15 affidavit and two pages of portions of that testimony.

16 Can you confirm that, sir?

17 A. Yes, I can. Yes.

18 MR. CONRAD: Your Honor, move admission of 624.

19 JUDGE WOODRUFF: 624 has been offered into

20 evidence. Any objections to its receipt?

21 (No response.)

22 JUDGE WOODRUFF: Hearing none, it will be received.

23 (EXHIBIT NO. 624 WAS RECEIVED INTO EVIDENCE.)

24 MR. CONRAD: Thank you, Your Honor. That concludes

25 my work with Mr. Noack this morning.

1 JUDGE WOODRUFF: Thank you, Mr. Conrad.
2 MR. CONRAD: Thank you, Mr. Noack.
3 Jackson County?
4 MR. DEUTSCH: No questions.
5 JUDGE WOODRUFF: All right. Public Counsel?
6 MR. MICHEEL: No.
7 JUDGE WOODRUFF: Staff?
8 CROSS-EXAMINATION BY MR. SCHWARZ:
9 Q. Good morning, Mr. Noack.
10 A. Good morning, Mr. Schwarz.
11 Q. On page 30 of your rebuttal testimony you state,
12 MGE is in the business of operating a natural gas distribution
13 system with the objective of generating a profit. MGE is not
14 a social service agency. And I'd like to explore that for a
15 bit, if I might.
16 Would you agree with me that the natural gas
17 distribution business is a retail business -- you're in the
18 business of making retail sales?
19 A. Yes.
20 Q. And as evidence of that, for instance, some of your
21 customers pay sales taxes on the service and others are
22 exempted, specifically by the sales tax statutes?
23 A. That's true.
24 Q. Have you ever worked in a competitive retail
25 business?

1 A. Yes.

2 Q. Would you give -- give me some of your background
3 in competitive retail businesses?

4 A. Well, I mean, I can go all the way back to college
5 when I worked for Coors beer.

6 Q. Okay.

7 A. And I -- I handled the keg sales -- had a keg route
8 on Fridays. It was a lot of fun. It was a good job.

9 Q. Was -- was that a direct retail business or was
10 that wholesale?

11 A. Oh, I -- I -- excuse me -- that was -- that was
12 wholesale. I apologize.

13 Let's see. Retail.

14 Q. K-mart, Wal-Mart, Target, Dillard's?

15 A. Millburn Country Club would have been retail, I
16 guess, working in the dining room as a waiter. I don't know.
17 I mean, I've done a lot of things. And working for the
18 accounting firm is probably retail --

19 Q. Well, but that --

20 A. -- type business.

21 Q. But it -- it's -- it's not the --

22 A. It's a service business.

23 Q. It's a service business.

24 But it's not the purchase and sale of -- of goods,
25 for instance?

1 A. No.

2 Q. Let me ask you this: Are you familiar with the

3 term "price points"?

4 A. No.

5 Q. When you -- when you do shopping on your own, say

6 at Dillard's, you're aware that there's a house brand, say, of

7 dress shirts and then they also offer Tommy Hilfiger and Polo

8 and other brand-name merchandise?

9 A. Yes, sir.

10 Q. And are -- and you're generally aware that -- that

11 there are price differences between the house brands and

12 the name brands?

13 A. Yes.

14 Q. Are you aware of -- of the same kind of situation

15 at grocery stores; for instance, there's a house brand

16 mayonnaise and a -- and a brand-name mayonnaise like Kraft

17 or -- or Hellmann's?

18 A. Sure.

19 Q. And is -- do you think that one of the reasons for

20 doing that is the -- the price differential between the -- the

21 house brand and the -- and the name-brand products?

22 A. Are you -- are you asking me why is there a price

23 difference?

24 Q. Is -- is -- do you think that that -- that offering

25 house brands is -- addresses the needs of some customers for

1 different prices than other customers?

2 A. I suppose.

3 Q. Have you -- have you noticed that the -- say, dress
4 shirts at K-mart -- K-mart doesn't offer, for instance, or
5 carry Polo or Tommy Hilfiger dress shirts; they'll have
6 lower-priced items?

7 A. All right.

8 Q. Do you --

9 A. I Agree with that, sure.

10 Q. And -- and so is it your understanding that there
11 are -- that different retailers focus on -- on pricing
12 products that their group of customers can afford and will
13 buy, as opposed to other -- other institutions that will sell
14 higher-priced items?

15 A. Yes.

16 Q. And have -- have you or MGE ever done a -- a market
17 study on what the price points or -- or affordability levels
18 of its different customers -- what those price points might
19 be?

20 A. I haven't. I don't know if others have ever done
21 it in the Company.

22 Q. And -- and what's your title -- what's your
23 function at MGE?

24 A. Regulatory affairs.

25 Q. And do you think that if such a study had been

1 done, that you would be aware of it with-- within MGE?

2 A. Possibly.

3 Q. Are you aware that -- of the statistics that

4 perhaps one out of six households in -- in Missouri might be

5 considered below 125 percent of the federal poverty level?

6 A. I have no reason to doubt your sta-- statistics.

7 Q. So are you aware that MGE has a significant portion

8 of its customers who would be at 125 percent of the poverty

9 level?

10 A. Yes.

11 Q. And I understand that you're not aware that MGE has

12 ever done a -- a marketing study, if you will, to see what

13 price those customers might be able to afford?

14 A. I'm not aware of one, no.

15 Q. Has MGE ever established target prices for the

16 natural gas that it buys in order to accommodate low-income

17 customers' ability to pay?

18 A. I don't believe so.

19 Q. Has MGE ever studied customer profiles in

20 low-income areas of its service territory?

21 A. I -- I don't know.

22 Q. Has -- has it ever studied payment patterns --

23 differences between low-income areas, middle-income areas and

24 high-income areas?

25 A. I -- I don't know.

1 Q. Has it ever studied usage patterns in low-income
2 areas, middle-income areas and high-income areas?

3 A. I do not know.

4 Q. Has MGE ever studied the differences between
5 low-income, middle-income or high-income customers, for
6 instance, on the likelihood of -- of those customers having
7 checking accounts?

8 A. I do not know.

9 Q. Has MGE ever studied its customer base to establish
10 the likelihood of low-income, middle-income or high-income
11 customers of owning homes?

12 A. Not that I'm aware of.

13 Q. Has MGE ever studied the access to borrowing of
14 low-income, middle-income or high-income customers?

15 A. Not that I'm aware of.

16 Q. Has MGE ever investigated the cost of borrowing for
17 those customer groups?

18 A. Excuse me. Not that I'm aware of.

19 Q. Has MGE ever investigated the level of savings that
20 those customer groups might have?

21 A. No.

22 Q. And would you agree with me that MGE is -- is a
23 retailer distinct from the -- the others that I named, Target
24 and -- and Wal-Mart and K-mart and Dillard's, in that its
25 sales are 100 percent on credit?

1 A. Yes.

2 Q. As a seller of goods 100 percent on credit, you --

3 you haven't undertaken any of those customer surveys or -- or

4 studies that we've -- we've outlined --

5 A. Not that I'm --

6 Q. -- or discussed?

7 A. -- aware of.

8 Q. Do you think that such studies might be relevant in

9 setting collection practices for MGE?

10 A. You know, I'm -- I'm in the regulatory department,

11 and we have a whole section of our company that's involved in

12 credit and collections. And -- and I'm sure they would be

13 happy to address these with you. I don't know.

14 Q. But that's -- well, but it's your statement that

15 MGE is in the business of operating natural gas distribution

16 system and not being a social service agency.

17 I'm trying to understand what the parameters of --

18 of customer service and customer awareness is. And you're

19 not --

20 A. Well, as -- as Mr. Hack mentioned in -- in his

21 opening statement, we have employees that are dedicated --

22 their -- their sole job is to assist low-income or other

23 customers that need assistance in paying their gas bill.

24 Q. Are you aware that since MGE acquired the Missouri

25 properties in -- in 1994, that MGE has closed business offices

1 of many of which were in low-income areas?

2 A. Yes.

3 Q. And did MGE do a study to evaluate the efficacy of
4 those offices, vis-a-vis the customers' access to checking
5 accounts and -- and such like as -- as far as the ability of
6 customers to make payments?

7 A. Yes, we did.

8 Q. But if you haven't studied the customers' access to
9 checking accounts and banking institutions, their access to
10 borrowing, how did -- how did you make that sta-- that study?

11 A. We had statistics on the number of customers that
12 were using the -- the public business offices that we closed.
13 We -- and we had statistics on the types of transactions that
14 were being undertaken in that office.

15 And before we -- we did anything, we made sure
16 that -- that there were alternative, shall I say, procedures
17 in place that these people could use to either contact us or
18 make payments or whatever they needed to use the business
19 office for.

20 Q. By these people, you mean your customers?

21 A. Exactly. Yes. People using the business office.

22 Q. And how do people without checking accounts pay
23 their utility bills?

24 A. I think -- I believe they go to, like, pay stations
25 that might be in a grocery store or a drugstore or something.

1 Q. Do they pay in cash, typically, or money order
2 or --
3 A. I believe probably all of the above.
4 Q. Now, do you believe that efforts to improve
5 payments from low-income customers is some sort of social
6 service program, as opposed to a -- a program to improve the
7 business profile both of MGE and its customers?
8 A. No. I think that there -- there's a balancing that
9 needs to be performed there. But -- but, you know, it's
10 some -- you know, to help customers and, you know, maintain
11 a -- a good business practice that will help other customers
12 also that aren't, you know, the low-income customers.
13 Q. So -- so then you -- I -- I take it from your
14 answer -- and I'd ask you to -- to -- yes or no -- that you
15 believe that efforts to improve payments from low-income
16 customers is a business practice and not a social service
17 program?
18 A. It's part of our -- it's part of our business
19 practice, yes.
20 Q. Okay.
21 A. Yes.
22 Q. Dr. Cummings, in his testimony yesterday, indicated
23 that -- that MGE has Staff dedicated to LDS customers. Does
24 MGE have Staff that is devoted specifically to investigating
25 and dealing with low-income customers?

1 A. Yes, we do.

2 Q. And what would -- who would that be?

3 A. Their names?

4 Q. No -- well, what -- I'd settle for the

5 organizational.

6 A. They've been -- I believe they've been moved up

7 into Ms. Levitz's group now in community and governmental

8 affairs. So I think it's now customer and -- community and

9 governmental affairs, I believe, is the new title.

10 But we have three -- three women, and their sole

11 dedication is finding payment plans, programs to assist

12 low-income. They do presentations, they -- they participate

13 in state seminars. That is their -- their whole purpose.

14 Q. Do -- to your knowledge, have they investigated the

15 affordability levels of -- of utility bills for your

16 low-income customers -- have they done any studies or reports?

17 A. They work hand-in-hand I'm -- with MAAC, I know,

18 Mid-America Assistance Coalition. And so, you know, they're

19 probably aware, yes, of -- of a lot of that information that's

20 out there. Yes.

21 Cuz they -- they work hand-in-hand with all the

22 social service agencies in our service area.

23 Q. Respectfully, though, that wasn't my question.

24 My question was: To your knowledge, have they done

25 studies on what price levels are -- are -- might be affordable

1 for low-income customers, what low-income customers might have
2 in the way of home ownership, access to credit, access to cost
3 of credit, that sort of thing?

4 A. I don't believe they've done those kinds of
5 studies, no.

6 Q. Okay. Also in your rebuttal testimony -- and
7 Mr. Ellinger touched on it a little bit -- you indicate that
8 the ELIR program has required significantly way -- more in the
9 way of administrative undertakings by MGE than MGE originally
10 anticipated.

11 Do you recall saying that?

12 A. Yes.

13 Q. What -- what kind of admin-- administrative costs
14 did you incur?

15 A. It was mostly on a -- primarily on the front end of
16 the -- of the program that -- we had two or three people that
17 were -- that spent -- well, I was one of them that spent a lot
18 of time just trying to set this program up.

19 Because at the time with -- with the way that the
20 information had to be gotten to, to begin the program, it
21 really wasn't possible to -- to go through a -- an agency down
22 in Joplin.

23 It was -- you know, so -- so it had to be almost
24 100 percent hands-on with MGE and the Division of Family
25 Services here in Jeff City.

1 Q. And now, you've described those as front-end costs.
2 So I assume that once you have a familiarity with the system,
3 once the system is set up and running, that those might be
4 costs that you wouldn't incur again for continuation of the
5 program or modification of the program?

6 A. The primary -- the primary administrative functions
7 that -- that are dealt with now really only have to do with
8 the tracking of -- of the customers. We are no longer
9 collecting the surcharge, so -- so that's off the bill. We
10 don't have to track that anymore.

11 It's just -- yeah, it was primarily front-end
12 loaded costs. Yes.

13 MR. SCHWARZ: I think that's all I have. Thank
14 you.

15 JUDGE WOODRUFF: All right. Thank you.

16 We'll come up for questions from the Bench. And I
17 will inform the Commissioners that we'll be taking a break at
18 about -- in about six or seven minutes, and then we'll come
19 back at ten o'clock for the questions regarding the regular
20 stipu-- the other stipulation agreement that was filed.

21 So we'll begin with Chairman Gaw.

22 COMMISSIONER GAW: I'm gonna pass right now. My
23 questions will take longer than that.

24 JUDGE WOODRUFF: All right. Commissioner Clayton?

25 COMMISSIONER CLAYTON: No questions.

1 JUDGE WOODRUFF: Commissioner Davis?

2 COMMISSIONER DAVIS: Give me just a second,

3 Mr. -- give me just a second, Mr. Noack. I'm trying to figure

4 out how to phrase this question.

5 QUESTIONS BY COMMISSIONER DAVIS:

6 Q. Mr. Noack, when you figure out your cost of

7 service, in your opinion, does it cost more or less to service

8 low-income households?

9 A. From -- from the standpoint of just delivering gas,

10 it would cost the same. But when you take into consideration

11 the possibility of the uncollectibles or bad debts that are

12 associated with -- with those, I mean, it would -- that would

13 be a cost that sometimes would be incurred.

14 COMMISSIONER DAVIS: No questions -- no more

15 questions at this time.

16 JUDGE WOODRUFF: Okay. Commissioner Appling?

17 COMMISSIONER APPLING: No questions, Judge.

18 JUDGE WOODRUFF: All right. At this time, then,

19 we'll go ahead and take a break. We'll come back at

20 ten o'clock with the questions concerning the non-unanimous

21 stipulation agreement that was filed a few days ago.

22 And you'll need -- after we're done with that,

23 we'll come back to Mr. Noack with the further questions from

24 the Bench.

25 (Witness excused.)

1 JUDGE WOODRUFF: Thank you.

2 (A RECESS WAS TAKEN.)

3 JUDGE WOODRUFF: Let's come to order, please.

4 We're back from break, and as previously indicated,

5 at this time we're gonna break off from the testimony and

6 allow the Commissioners to ask questions about the -- I guess

7 it will be the corrected partial non-unanimous stipulation and

8 agreement that was filed earlier this week.

9 Before we do that, I'll -- I'll ask Mr. Ellington

10 for Joplin -- does Joplin have any position on this

11 non-unanimous stipulation and agreement?

12 MR. ELLINGER: We have no objection to the

13 stipulation, Judge.

14 JUDGE WOODRUFF: All right. And I believe that

15 is -- all the other parties have -- other than the

16 signatories, have indicated the same.

17 All right. We'll begin then. Commissioner Gaw

18 asked me in the hallway to pass on to him and move on to the

19 next Commissioner. He'll be down in a few minutes.

20 Commissioner Murray is not here, so Commissioner

21 Clayton?

22 COMMISSIONER CLAYTON: I want to start with

23 depreciation, and ask for a -- I -- I think I'd like to focus

24 on that cost of removal, if that's at all possible. And I

25 need for somebody to explain exactly whose position or which

1 position that we are adopting if we approve this stipulation.

2 So either to Staff or the Company, if you all want
3 to -- or OPC?

4 MR. HACK: I can take it. Are we on depreciation
5 or cost of removal or is this kind of a wayside issue?

6 COMMISSIONER CLAYTON: Depreciation, net cost of
7 removal, paragraph 7 -- or excuse me. Excuse me. I'm looking
8 at the Staff suggestions and support, so that paragraph number
9 may not be accurate.

10 MR. HACK: The -- the issue as -- that had been
11 denominated in that cost of removal in this case had to do
12 with accounting -- future accounting for the difference
13 between -- or any difference between an actual net cost of
14 removal and the ratemaking amount.

15 And ultimately what was agreed to was a modified
16 version of what MGE had suggested in its testimony, so that it
17 is symmetrical treatment. That if cost of removal is less
18 than what had been included in rates or -- or more than what
19 had been included in rates, those amounts would be netted
20 together, put into a deferred account and -- and treated later
21 for -- for ratemaking purposes.

22 The -- if I can just elaborate perhaps a little bit
23 longer, the -- the -- the -- the policy issue that has been
24 present in the other cases on net cost of removal is -- is
25 really not presented in this case.

1 MGE in its previous rate case, GR-2001-292 moved to
2 the -- the expensing methodology of -- of net cost of removal,
3 as recommended by the Staff. And -- and that -- it's my
4 understanding that that -- and I can't explain why, but
5 that -- that that -- that methodology does not have a
6 significant impact on MGE. And we are different from other
7 utilities in that regard. So -- so that was not a problem for
8 us.

9 COMMISSIONER CLAYTON: Why -- why is MGE different
10 from other utilities?

11 MR. HACK: I knew you'd have to ask that.

12 I believe it has to do with the -- the way that we
13 account for distributions in aid of construction, principally,
14 as they relate to replacement facilities. And beyond that, I
15 am probably incompetent to comment further. But I -- I do
16 have Mr. Noack here.

17 And maybe I can elaborate a little bit more.
18 The -- that's enough. I -- I've tread too far.

19 COMMISSIONER CLAYTON: Yeah, I don't know, once you
20 called yourself incompetent, I think -- it's been a long
21 couple of weeks and we've got a holiday weekend coming up.

22 So basically what you're suggesting is that the --
23 the net cost of removal issue is not as significant in this
24 case as in others, because your methodology more closely
25 follows what Staff has recommended in other cases; is that a

1 fair statement?

2 MR. HACK: That -- that's reasonable.

3 COMMISSIONER CLAYTON: Okay. And for Staff, do you

4 agree with that, Mr. Schwarz?

5 MR. SCHWARZ: Yes, we do.

6 COMMISSIONER CLAYTON: Okay. And -- and in this --

7 this modified proposal, basically it allows for a certain

8 amount that would be set out for the cost of removal with a

9 catch-up after -- was it three to five years, something like

10 that -- and then the -- the difference would be amortized in

11 the next case?

12 MR. HACK: Correct.

13 COMMISSIONER CLAYTON: Okay. From Staff's

14 perspective, how far in difference is -- is this agreement on

15 net cost of remo-- removal than what Staff's position was in

16 this case?

17 MR. SCHWARZ: I don't believe it's very far at all.

18 I mean, I -- I --

19 COMMISSIONER CLAYTON: Is there any difference at

20 all?

21 MR. SCHWARZ: I -- a slight difference.

22 I'd ask Mr. Oligschlaeger to respond.

23 MR. OLIGSCHLAEGER: Okay. I think the position is

24 reflected in our direct testimony is you would charge the cost

25 of removal incurred to an expense. And if you're under or

1 over, you're out of luck either way, whether you're
2 over-recover or under-recover just like any other expense
3 item.

4 For several purposes we agreed that this kind of
5 catch-up provision, which we've also agreed to variations of
6 that in other cases.

7 COMMISSIONER CLAYTON: Is this position consistent
8 with Staff's position in other -- in other rate cases
9 involving net cost of removal?

10 MR. OLIGSCHLAEGER: There's a slight difference in
11 the accounting called for here, as opposed to, say, the recent
12 Aquila steps. But I would say, in principle, they're --
13 they're the same.

14 COMMISSIONER CLAYTON: Okay. And this method is
15 what was stippled out in the other rate cases that we've had
16 recently?

17 MR. OLIGSCHLAEGER: Again, in general terms there's
18 a slight difference in the accounting, if you want me to go
19 through those.

20 COMMISSIONER CLAYTON: Well, I think my first
21 question I was actually -- I intended to ask what Staff's
22 position was -- had been in those cases, and I think you've
23 answered saying that that's what was stippled out, and then I
24 asked if that is what was stippled out. And your answer was
25 yes.

1 Okay. Regarding pension expense, is a similar
2 mechanism -- a similar mechanism used here also with the
3 difference between the estimated ERISA payments and actual
4 ERISA payments -- is that an accurate statement?

5 Anyone?

6 MR. SCHWARZ: Yes.

7 COMMISSIONER CLAYTON: Anyone?

8 MR. SCHWARZ: Yes, it is. And it's -- it's similar
9 to the treatment that we used, I think, in Missouri-American
10 and Aquila as well.

11 The differences between the ERISA minimums and what
12 the FAS-87 requires can gyrate radically from time to time.
13 And this is just a mechanism to kind of smooth those out and
14 make sure that the Company's made whole and -- and the
15 customers pay only what is -- is required.

16 COMMISSIONER CLAYTON: Mr. Hack?

17 MR. HACK: Just to elaborate further, the issue, as
18 it had existed for the pension issue, was the -- the question
19 of carrying costs on this deferred balance. And that -- that
20 has been removed as a part of the settlement.

21 COMMISSIONER CLAYTON: Okay. Last issue that I
22 want to ask about, and I'll let the other Commissioners
23 inquire, relates to the bad-debt issue.

24 First of all, I want to ask Mr. Schwarz, what was
25 the position of Staff going into the bad-debt issue? And

1 could -- if you could also tell me what the position of
2 MGE was, and then how this figure compares to each.

3 MR. SCHWARZ: Staff had --has used a
4 five-year average of -- of bad debts.

5 Do you recall the number? It was \$6.1 million
6 based on a five-year average.

7 And, I'm sorry, I can't recall the -- your -- the
8 second part of your question.

9 COMMISSIONER CLAYTON: MGE's posi-- dollar -- or I
10 guess, Mr. Hack, what was MGE's position on bad debts going
11 into the settlement?

12 MR. HACK: We had calculated bad debts based upon a
13 three-year average ending December 31, '03, plus an allowance
14 reflect -- of \$750,000 as an estimated impact of the denial of
15 service rule for the total dollar -- the total dollar amount
16 of those two items was \$8.4 million.

17 In essence, what -- what, in our view, the
18 settlement number reflects a four-year average -- calendar
19 year average ending '03 with no additional allowance related
20 to the denial of service rule.

21 COMMISSIONER CLAYTON: Okay. So there's no
22 additional component relating to the denial of service rule?

23 MR. HACK: Not -- not specifically set out in that
24 number.

25 COMMISSIONER CLAYTON: What -- what happened in

1 counting back years four and five that caused the bad-debt
2 expense -- or excuse me -- in the years, I guess, three and
3 four, what -- why are these averages so far apart? \$2 million
4 between three years and five years?

5 MR. HACK: it -- it's -- really has to do with
6 calendar years '98 and '99 were -- were exceptionally warm
7 years with low-volume sales in combination with very low gas
8 prices or PGA rates in -- in -- in comparison to the later
9 years.

10 So that -- that's effectively -- there's probably a
11 little bit of the economy reflected in those -- those numbers
12 as well, but -- but those are the primary differences, in our
13 view.

14 COMMISSIONER CLAYTON: Okay. So you went with a
15 four-year average with no adjustment for the -- the proposed
16 rule?

17 MR. HACK: Correct.

18 COMMISSIONER CLAYTON: Okay. I don't believe I
19 have any further questions. Thank you.

20 JUDGE WOODRUFF: Thank you. We'll go over to
21 Chairman Gaw then.

22 COMMISSIONER GAW: Go ahead and go around, Judge.
23 I'll --

24 JUDGE WOODRUFF: Commissioner Murray?

25 COMMISSIONER GAW: I'll finish it off.

1 COMMISSIONER MURRAY: Thank you.

2 Good morning. I'd like to start with the

3 depreciation rates issue. And I apologize if -- if

4 Commissioner Clayton already asked some of these, and I didn't

5 hear them.

6 The Account 380, what is that currently? This is a

7 change from the current, correct -- This amount that was

8 agreed upon? What is the current depreciation rate -- based

9 on what average?

10 MR. OLIGSCHLAEGER: The rate is, I believe,

11 2.27 percent.

12 COMMISSIONER MURRAY: Based on what average service

13 life?

14 MR. OLIGSCHLAEGER: I believe a 44-year life.

15 COMMISSIONER MURRAY: And for Account 394?

16 MR. NOACK: It was 2.38.

17 MR. OLIGSCHLAEGER: I believe that's 2.38 percent.

18 COMMISSIONER MURRAY: And what average service life

19 is that based on?

20 MR. SCHWARZ: It's about a -- between 45- and

21 50-year life.

22 COMMISSIONER MURRAY: Okay. What -- and I don't

23 know if you can answer -- if anybody can answer this question,

24 but was there a methodology applied to arrive at the changes

25 that were recommended for those two accounts?

1 MR. HACK: In -- in our view, our -- our study, the
2 Black and Beach Depreciation Study, showed a -- an average
3 service life for services of 30 years. The -- the current
4 rate as reflected in -- in -- on our books is 44 years, so
5 the -- the methodology, if you will, was -- was to split the
6 difference.

7 COMMISSIONER MURRAY: Okay. In the -- is that the
8 case for both -- both accounts?

9 MR. HACK: No. The -- the -- the tools rate was
10 actually developed by Staff Witness Mathis in her surrebuttal
11 testimony, and -- and I believe that was -- that was a rate
12 set forth in her testimony.

13 COMMISSIONER MURRAY: Okay. So it was the
14 methodology that she had employed that was actually adopted
15 here?

16 MR. HACK: Correct.

17 COMMISSIONER MURRAY: In Staff's support of
18 this -- the suggestions in support of this agreement it's
19 stated that, overall Staff believes these changes are
20 appropriate for the setting of just and reasonable rates.

21 Can you elaborate on why you think those are
22 appropriate?

23 MR. SCHWARZ: Well, I -- I think that at -- well,
24 let me back up a minute.

25 MGE took over the Missouri properties in -- in

1 1994. Their accounting records, their property records go
2 back to 1994 only. There are incomplete records, perhaps,
3 from the period of operation of gas service and Western
4 Resources.

5 So Staff's analysis of MGE is -- is based
6 significantly on experience with other gas utilities in the
7 state, particularly for long-life property, mains and services
8 that have life expectancies of 40 to 60 or longer years.

9 You -- you need more than 10 years' experience to
10 really do a -- a good statistical analysis of those. So given
11 the -- the totality of the circumstances in -- in relation to
12 that, Staff is comfortable with the specification of service
13 lives and depreciation rates that we have reached here.

14 COMMISSIONER MURRAY: And you think that compares
15 well with other gas utilities?

16 MR. SCHWARZ: In -- as far as the rates are
17 concerned -- well, we -- we think that -- that what's being
18 specified for MGE is -- is appropriate for MGE . Where we
19 have better records at other companies, of course, we will do
20 specific analyses.

21 But under the -- with the data that's available, we
22 think that, yes, this -- these -- these -- these are
23 appropriate for this case.

24 COMMISSIONER MURRAY: Okay. On the service lives
25 for -- and the depreciation rate for Account 380 under an ISRS

1 filing, why should the service life of the assets differ if
2 it's an ISRS accounting versus a rate case?

3 MR. OLIGSCHLAEGER: The thought process there was,
4 we were willing to agree on a certain rate and a certain
5 assumed life for purposes of settling this issue for dollar
6 purposes in this case.

7 However, it was our belief from the Staff that we
8 did not necessarily want to be held to that for purposes of a
9 future ISRS filing. And, in fact, it's our belief that we
10 are -- if circumstances justify, it can seek different
11 ratemaking components for use in an ISRS filing, and perhaps
12 might be separately agreed to for purposes of a general rate
13 proceeding.

14 COMMISSIONER MURRAY: But you agreed upon a
15 percentage and a service life average for the next ISRS filing
16 here; is that correct?

17 MR. OLIGSCHLAEGER: Well, for all ISRS filings
18 between this general rate proceeding and the next MGE general
19 rate proceeding.

20 COMMISSIONER MURRAY: For the same account -- in
21 other words, an account that was treated as having a 37-year
22 lifespan for the rate case will be treated as having a 39-year
23 lifespan for the ISRS?

24 MR. OLIGSCHLAEGER: That is correct.

25 COMMISSIONER MURRAY: Does MGE have anything to add

1 to that?

2 MR. HACK: And I don't want to create controversy.
3 This was something we were asked to do and something we were
4 willing to do to -- to put the depreciation issue to bed in
5 this case. And -- and -- and we have done so.

6 It is not something we're wildly enthusiastic
7 about. And -- and I -- I don't want to pick a fight here, but
8 it -- it's -- it's our view that there is no discretion in
9 ISRS filings. If you have rate case determinations, those
10 rate case determinations are what control.

11 But for purposes of settlement, we have -- we have
12 agreed to use the 39-year life on the services for ISRS
13 filings.

14 COMMISSIONER MURRAY: Okay. On the net -- net cost
15 of removal, I know -- I know Commissioner Clayton asked
16 several questions about this issue. And I don't want to be
17 repetitive here, but I want to make sure that I understand
18 what you're doing.

19 And, once again, the Staff suggestions in support
20 say that this is an appropriate accounting treatment for this
21 jurisdictional cost of removal.

22 Is there a methodology that was employed here to
23 arrive at this treatment?

24 MR. OLIGSCHLAEGER: The methodology that was
25 employed to reach at least the settlement amount was an

1 agreement to true-up any overages and underages in the amount
2 of cost of removal collected in rates compared to the actual
3 amounts collected -- or the actual amounts incurred by MGE for
4 this item.

5 COMMISSIONER MURRAY: Okay. When I say
6 methodology, I mean -- I understand that's what you did. But
7 what methodology did you use to get there to say that that's
8 an appropriate method?

9 MR. SCHWARZ: I -- I think the -- the \$771,000 is
10 reflective of recent history at MGE. The methodology is -- is
11 simply to reflect any difference between what the actual
12 expenditures are for that particular item, and provide for
13 their recovery either by the Company or the ratepayer in the
14 future.

15 COMMISSIONER MURRAY: Okay. That's -- you're
16 talking about the difference there. There's a methodology
17 employed for the whole thing, beginning with how you treat net
18 cost of removal.

19 What methodology was employed to treat it as an
20 expense versus treating it in the "traditional manner"?

21 MR. HACK: The -- in -- in MGE -- if I could maybe
22 do a little -- a little background. In MGE's immediately
23 preceding rate case, GR-2001-292, we -- we agreed -- I believe
24 it was -- yeah, we agreed to change to the expensing
25 methodology for net cost of removal.

1 And -- and --

2 COMMISSIONER MURRAY: All right. Let me stop you

3 there --

4 MR. HACK: Okay.

5 COMMISSIONER MURRAY: -- and ask you, what

6 authority uses expensing methodology? What -- what ratemaking

7 authority can you point to to say that that is an accepted

8 methodology?

9 MR. HACK: The only authority of which I am aware,

10 aside from recent history in Missouri that has sort of

11 been across the board on that issue --

12 COMMISSIONER MURRAY: And we'd only use that

13 because that's circular.

14 MR. HACK: I under-- and I understand. I

15 understand.

16 Is that -- I believe that the law in Pennsylvania

17 requires expensing of -- of net cost of removal, and that's --

18 that's the only authority of which I'm aware.

19 COMMISSIONER MURRAY: And that was another state

20 Commission employing a method?

21 MR. HACK: I believe it's a statute, actually, in

22 Pennsylvania.

23 COMMISSIONER MURRAY: Statute.

24 Okay. And do you know any accepted regulatory

25 authority that has written any treatises on this that say that

1 expensing is an accepted methodology?

2 MR. HACK: I -- I do not.

3 COMMISSIONER MURRAY: Does anybody?

4 MR. NOACK: Commissioner Murray, there's -- there's

5 a new accounting pronouncement out, and I believe it's

6 FAS-143. I'm -- I might have the number wrong, but utilities

7 and really I think any -- any company that -- that has

8 retirement obligations as they relate to plant has got some

9 new -- new ways that they have to account for those.

10 And included in those -- those new accounting

11 requirements, I believe, is the expensing of net salvage and

12 cost of removal.

13 COMMISSIONER MURRAY: Is that --

14 MR. NOACK: That's for accounting principles.

15 COMMISSIONER MURRAY: Did you say FAS-183?

16 MR. NOACK: I think it's 143.

17 COMMISSIONER MURRAY: 143.

18 And this is for accounting purposes, not regulatory

19 purposes --

20 MR. NOACK: Exactly.

21 COMMISSIONER MURRAY: -- is that correct?

22 MR. NOACK: Yes, Commissioner, it is. It is.

23 COMMISSIONER MURRAY: Okay. And anybody have any

24 authority to cite for -- that that has been an accepted

25 regulatory method, other than the State of Pennsylvania?

1 MR. SCHWARZ: I'm -- I'm not sure that there are
2 any restrictions on the Commission in this area; that is,
3 Section 393.140 provides that the Commission will prescribe
4 the accounting methods, and the Commission will prescribe the
5 depreciation practices that the utilities are to follow.

6 And the courts have indicated that the Commission
7 is not limited, for instance, to application of GAP in -- in
8 its decision in these areas.

9 COMMISSIONER MURRAY: So we could -- it's your
10 position, we could invent our own methodology?

11 MR. SCHWARZ: If it's -- if it's supported by the
12 record and is reasonable, yes.

13 COMMISSIONER MURRAY: Okay. Then the treatment of
14 the difference, I want to go to that issue now. Because in
15 the past -- actually in the past several years it seems that
16 we've had recommendations that have been all over the place
17 with this net salvage/cost of removal issue.

18 And we've done a number of hybrid "solutions," and
19 there's been a number of stipulations and agreements in which
20 companies have agreed to various treatments. But we have no
21 consistence.

22 Since Staff began recommending its new expensing
23 methodology, we have no consistent treatment of net
24 salvage/cost of removal, as I see it anyway.

25 And in this one there appears to be the agreement

1 that a certain amount, based upon the actual experience -- and
2 did you say it was averaged over the last several years --
3 last five years?

4 Okay. The -- based upon actual experience will be
5 expensed, but then if there is a difference -- if the numbers
6 actually turn out to be different than that, the difference
7 will be treated as going back into rate base, as I understand
8 it; is that accurate -- is that an accurate statement?

9 MR. SCHWARZ: It is. It is. During -- until the
10 company's next rate case, it will be held in a -- in a
11 separate account, and then the overage or underage in the next
12 rate case will be reflected either as an addition to or
13 reduction to rate base until it is amortized over a five-year
14 period.

15 COMMISSIONER MURRAY: And that will -- who --
16 which -- if -- okay. If there's a difference and it's
17 amortized over the next five-year period, will the ratepayers
18 that use the assets that are, in fact, retired be the ones who
19 pay for that removal or will -- will it be the next generation
20 of ratepayers paying for it over the next five years?

21 MR. SCHWARZ: Well, certainly it won't be exactly
22 the same group of ratepayers. I don't know that it's
23 necess-- I don't know that you have a -- a new generation of
24 ratepayers every five years. Typically that's an extended
25 period.

1 I mean, so I -- I don't know that next
2 generation -- I think particularly it is significant that
3 these -- we're -- we're not talking about life-span property
4 that retires in a big lump. These are ongoing pretty much.
5 With respect to -- to MGE these are interim retirements, as
6 far as any particular property account is concerned.

7 So that --

8 COMMISSIONER MURRAY: Let me stop you there and
9 ask, is that what Mr. Hack meant -- and Mr. Hack can comment
10 on this, too, but when he said that this issue is not one that
11 greatly affects MGE in terms of dollars as it may affect some
12 other utilities in terms of dollars.

13 Is that a part of what he meant by that statement?
14 And, Mr. Hack, I guess I should ask you what you meant by that
15 statement.

16 MR. HACK: I -- I have to admit I was not paying
17 close attention to what Mr. Schwarz was saying, so I -- I
18 honestly can't answer the question right now.

19 COMMISSIONER MURRAY: All right. Well, the fact
20 that there are -- the -- the assets that we're talking about
21 being retired here -- or group of assets within an account,
22 and that there aren't expected to be any unusually large
23 retirements, that would skew these numbers terrifically.

24 Is that why this is not a big-dollar item for
25 MGE to treat it this way or --

1 MR. HACK: No. No. The -- what we were discussing
2 earlier is that -- that it -- it's my understanding that MGE,
3 in comparison to other gas utilities, in particular in the
4 state, accounts for contributions and aid of construction in a
5 different way.

6 And that because of the -- the -- the manner in
7 which we account for contributions and aid of construction
8 that the move to this expensing methodology for net cost of
9 removal did not and does not have as meaningful an impact on
10 MGE in relation to other gas utilities.

11 On the question of accounting for differences
12 between the ratemaking level of the net cost of removal and
13 actual expenses incurred during the rate effective period,
14 it's our -- our belief that they there probably won't be huge
15 swings, but we do not know.

16 There could be, you know, a -- an exam-- if -- if
17 Kansas City, for example, was to suddenly decide to invest in
18 light rail, that would probably require a significant
19 investment on the part of MGE in removing and relocating
20 facilities, and -- and that could cause a significant change
21 in actual net cost of removal in comparison to the rate case
22 level.

23 And -- and because of -- of things like that -- and
24 that's just an example. I'm not saying that light rail is
25 gonna happen in Kansas City any time soon. But we think the

1 accounting kind of true-up approach is -- is -- is a
2 reasonable one. And it can go -- it's symmetrical. It can go
3 both ways.

4 COMMISSIONER MURRAY: And this agreement here
5 protects against -- as I'm reading it, I think this is
6 accurate. Somebody correct me if it's not.

7 Protects against any huge dis-- discrepancy; in
8 other words, it will be accounted for -- it's not like any big
9 discrepancy will be lost either negatively or positively?

10 MR. HACK: That is correct.

11 COMMISSIONER MURRAY: Okay. But if we did not
12 account for any differences, there is that possibility?

13 MR. HACK: Either direction, correct.

14 COMMISSIONER MURRAY: And this is just a more
15 general question regarding this issue of net salvage/cost of
16 removal. It's my understanding that MGE agreed in the last
17 rate case to having bid expensed; is that correct?

18 MR. HACK: Yes.

19 COMMISSIONER MURRAY: Okay. Prior to that time,
20 how was net salvage/cost of removal created in MGE's rate
21 cases?

22 MR. HACK: It -- it was a component of the
23 depreciation rate.

24 COMMISSIONER MURRAY: And at the time that a
25 company makes a change -- or the Commission makes a change for

1 the company from including it in the depreciation rate to
2 expensing it, what happens to what has been included in the
3 depreciation rate up to that time? What kind of adjustment is
4 made to change the methodology going forward?

5 MR. HACK: I'll -- I'll ask Mr. Noack perhaps.

6 MR. NOACK: I believe in -- in -- the next time
7 that we have a depreciation study, which in our case will
8 be -- we'll start it this fall for -- and we'll file it next
9 summer.

10 All of that will be taken into consideration in
11 developing with the -- the recommended new depreciation rates.
12 So they'll be looking at the reserve balance at that time in
13 relation to the plant balance, and re-- resetting -- or
14 depreciation rates and will take into account the fact that we
15 are now expensing, as opposed to running everything through
16 the reserve.

17 COMMISSIONER MURRAY: Okay. I'm still not sure I
18 understand that. To me this is a very complex issue as to how
19 you change from one methodology to another when you've got
20 assets that have been depreciated up to a point and -- and
21 they're not yet retired, but all of a sudden you're moving
22 into expensing the cost of retirement.

23 And probably your explanation explained that, and
24 I'll just have to read the transcript and see if I can
25 understand it.

1 Does anybody have anything to add to that?

2 MR. SCHWARZ: Well --

3 MR. HYNEMAN: Yes, Commissioner, the -- the prior
4 cost of removal that was in depreciation rates, that is
5 included in the depreciation reserve, and that reserve is
6 reflected as a reduction in rate base.

7 And that's kind of similar treatment to what we're
8 setting up now, but we're -- we're treating it for time
9 purposes outside of the depreciation preserve and just as a
10 regular asset or liability.

11 But the previous cost of removal that was paid by
12 the ratepayers is in the depreciation reserve, which is --
13 reduces the net plant which reduces the gross plant and
14 reduces rate base. So it's still intact.

15 MR. SCHWARZ: If -- if I might, I'd ask that the
16 record reflect that -- that that was Mr. Chuck Hyneman a
17 Regulatory Auditor IV with the Commission Staff in Kansas
18 City.

19 COMMISSIONER MURRAY: All right. I think I'm gonna
20 allow the other Commissioners to ask some questions.

21 Thank you.

22 JUDGE WOODRUFF: All right. Commissioner Davis?

23 COMMISSIONER DAVIS: I'm sorry. Could the
24 gentleman that just stood up there in the first row -- could
25 you state your name again for the record, please?

1 MR. HYNEMAN: Yes. It's Charles Hyneman -- Charles
2 Hyneman. I was a Staff witness on cost of removal for the
3 rate case.

4 COMMISSIONER DAVIS: Okay. Mr. Schwarz, I've got a
5 few questions.

6 MR. SCHWARZ: Yes, sir.

7 COMMISSIONER DAVIS: Some of them are very basic.
8 Who -- in -- in arriving at the agreements that are
9 part of this stipulation, who are you representing?

10 MR. SCHWARZ: I represent the Staff.

11 COMMISSIONER DAVIS: Who is the Staff?

12 MR. SCHWARZ: The Staff is employees of the
13 Commission.

14 COMMISSIONER DAVIS: Who is the client?

15 MR. SCHWARZ: The client is the Commission Staff.

16 COMMISSIONER DAVIS: Who has the ultimate
17 settlement authority? Give me names.

18 MR. SCHWARZ: It is typically a -- a collaborative
19 effort with sign off by Bob Schoenberg and Wes Henderson in
20 consultation with Dan -- well, Dan Joyce's or his designees in
21 the General Counsel's Office.

22 It has been a long time, but ultimately it would be
23 the executive director -- if there were conflicts within the
24 Staff, the executive director, Mr. Quain, would resolve those.

25 We -- I -- I don't believe Mr. Quain has ever been

1 called on to exercise that office.

2 COMMISSIONER DAVIS: Okay. So -- I'm just trying
3 to get --

4 MR. SCHWARZ: Yeah.

5 COMMISSIONER DAVIS: -- this all figured out here.
6 So it's a committee of Bob Schoenberg, Wes
7 Henderson and Dan Joyce?

8 MR. SCHWARZ: Yes.

9 COMMISSIONER DAVIS: So -- and it's my
10 understanding that you at least made the offers on two or
11 three of these issues; is that correct?

12 MR. SCHWARZ: Personally, no. And I could not tell
13 you at this stage on which issues the -- which party first
14 approached a settlement.

15 COMMISSIONER DAVIS: Okay. So if there was an
16 offer made on behalf of Staff, who made it?

17 MR. SCHWARZ: It would have been transmitted by
18 Robert Franson, who's the lead attorney in this case, after
19 consultation with Staff. There are some -- some issues that
20 likely were Mr. Oligschlaeger, as well who's the case
21 coordinator for Staff.

22 COMMISSIONER DAVIS: Okay. So when you say
23 Staff --let me just say that Staff is Mr. Oligschlaeger?

24 MR. SCHWARZ: Yes.

25 COMMISSIONER DAVIS: Dan Joyce?

1 MR. SCHWARZ: Yes.

2 COMMISSIONER DAVIS: Wes Henderson?

3 MR. SCHWARZ: Yes.

4 COMMISSIONER DAVIS: And Bob Schoenberg?

5 MR. SCHWARZ: Yes. And in this case Mr. Franson as

6 well. I don't know if you named him.

7 COMMISSIONER DAVIS: Okay. Well, since he was

8 making the offer -- or if -- if there was an offer to be made

9 and he was making it, I'm just trying to figure out the

10 process of who he consulted with.

11 Give me just a second here.

12 On the issue of depreciation rates, I think you

13 stated that Staff uses 2.38 percent, which is -- translates

14 into approximately a 44-year lifespan; is that correct?

15 MR. SCHWARZ: My understanding is that on services,

16 yes, the -- the -- pardon -- excuse me -- 2.38 was tools.

17 MR. OLIGSCHLAEGER: The existing.

18 MR. SCHWARZ: The existing rate on tools

19 was -- was 2.38 percent, which trans--

20 COMMISSIONER DAVIS: Oh, okay. My notes say that

21 that was on Account No. 380. So that is not correct?

22 MR. SCHWARZ: I don't believe so.

23 MR. HACK: 2.27 was the rate for -- for services,

24 which is a 44-year life.

25 COMMISSIONER DAVIS: Okay. 2.27 is the rate, and

1 that's a 44-year life.

2 MR. SCHWARZ: Yes.

3 COMMISSIONER DAVIS: And it's my recollection that

4 this is based on a Pennsylvania statute -- that that's based

5 on -- no?

6 MR. SCHWARZ: No. No.

7 COMMISSIONER DAVIS: Okay. What is it based on?

8 MR. SCHWARZ: It's based on Staff's depreciation

9 study, which --

10 COMMISSIONER DAVIS: And is that in the record?

11 MR. SCHWARZ: Yes. Yes. Ms. Mathis -- Jolie

12 Mathis.

13 COMMISSIONER DAVIS: Okay. It's Ms. Mathis's

14 methodology?

15 MR. SCHWARZ: Yes.

16 COMMISSIONER DAVIS: Okay. Just -- 44 years seems

17 like an awful long time.

18 MR. HACK: Can I -- perhaps -- I'm sensing a

19 misunderstanding, so if I'm wrong --

20 COMMISSIONER DAVIS: Yes. I'm not understanding

21 quite a bit here.

22 MR. HACK: The -- the current service-line

23 depreciation rate as is on MGE's books today is 44 years.

24 COMMISSIONER DAVIS: Okay.

25 MR. HACK: 2.27 percent.

1 COMMISSIONER DAVIS: Okay.

2 MR. HACK: The -- the recommendation and agreement
3 in this document was --

4 COMMISSIONER DAVIS: 37 years.

5 MR. HACK: -- 37-year life, correct.

6 COMMISSIONER DAVIS: And as we discussed earlier,
7 basically we split the difference between the Black and Beach
8 Study prepared by MGE and Ms. Mathis's methodology, who's a
9 Staff member here.

10 MR. HACK: And to -- perhaps to explain a little
11 further, the 44-year life was agreed to by MGE in the
12 immediately preceding rate case, which we -- we settled in
13 total. And -- and it -- that's how we --

14 COMMISSIONER DAVIS: And you'd agr-- you'd agreed
15 to the 44-year life in a previous case?

16 MR. HACK: We had agreed to the 44-year life in the
17 previous case.

18 COMMISSIONER DAVIS: So prior to the previous case,
19 what was it?

20 MR. HACK: It was 20 years.

21 COMMISSIONER DAVIS: It was 20 years, and then you
22 went to 44 and now we're back to 37?

23 MR. HACK: That is correct.

24 COMMISSIONER DAVIS: But Staff is adamant that
25 39 years is appropriate for the ISRS language; is that

1 correct?

2 MR. SCHWARZ: That is Staff's position, yes, sir.

3 COMMISSIONER DAVIS: I'm gonna have to review

4 Ms. Mathis's testimony more closely. But -- and I don't know

5 how the -- if this is appropriate or not, but I would like to

6 request any primary sources that she relied on in making her

7 analysis.

8 Do you understand what I'm asking for?

9 MR. SCHWARZ: Work papers?

10 COMMISSIONER DAVIS: I'm not -- no, I am not asking

11 for work papers. I'm -- I'm asking for textbooks --

12 MR. SCHWARZ: Textbooks, yes.

13 COMMISSIONER DAVIS: -- articles, things of that

14 nature.

15 MR. SCHWARZ: We can -- we can certainly provide

16 those pretty readily with the con-- consent of the other

17 parties. I don't --

18 COMMISSIONER DAVIS: I would appreciate that.

19 Mr. Schwarz, do you have any idea what -- what

20 depreciation schedules the State of Kansas uses in these

21 matters?

22 MR. SCHWARZ: I do not know the -- the average

23 service lives nor the depreciation rates.

24 COMMISSIONER DAVIS: What about Mr. Oligschlaeger?

25 MR. OLIGSCHLAEGER: I don't have direct knowledge.

1 I do know that in the Black and Beach report in the year 2000
2 that the companies relied upon -- there was some analysis of
3 regional utilities in some of their depreciation rates.

4 COMMISSIONER DAVIS: Okay. So you don't have any
5 idea what our -- what our neighbors recognize, do you?

6 MR. SCHWARZ: No, sir.

7 COMMISSIONER DAVIS: It's never crossed anybody's
8 mind?

9 MR. SCHWARZ: I -- I don't know that we've -- we
10 view them as -- as --

11 COMMISSIONER DAVIS: Relevant?

12 MR. SCHWARZ: As relevant -- as being worth the
13 trouble of digging out; that is, they -- they have different
14 capitalization practices, they have different practices of
15 expensing and capitalizing the plant, particularly on -- on
16 stuff that's removed.

17 They may have differences -- different policies
18 certainly on treatment of cost of removal. There will be --
19 there's enough differences --

20 COMMISSIONER DAVIS: And it's -- it's the
21 Pennsylvania statute that we seem to be relying on for net
22 cost of removal, correct?

23 MR. SCHWARZ: I -- I don't believe so. I mean,
24 we're --

25 COMMISSIONER DAVIS: Oh, okay.

1 MR. SCHWARZ: Staff -- Staff relies on its analysis
2 of -- of the -- the appropriate way to reflect the cost to the
3 Company of recovering its initial investment in the property
4 as it is -- as it's consumed, and the method to -- for the
5 Company to recover any additional costs that it might have at
6 the time of retirement.

7 COMMISSIONER DAVIS: Okay. So Staff's not going
8 all the way to Pennsylvania to seek guidance; we're getting it
9 all in-house here?

10 MR. SCHWARZ: Well, I -- I think that the -- the
11 Staff developed its ideas and then discovered that
12 Pennsylvania kind of does the -- the -- the same thing.

13 COMMISSIONER DAVIS: So Staff developed its own
14 ideas?

15 MR. SCHWARZ: Yes.

16 COMMISSIONER DAVIS: Okay. And the --

17 MR. SCHWARZ: And Let me -- Staff witness was
18 examining the -- the actual costs incurred by Laclede Gas, as
19 opposed to the amounts that they were accruing and collecting
20 from customers on the issue of cost of removal.

21 And for at least a decade the -- the costs that
22 they were collecting significantly exceeded the costs that
23 they were expending.

24 And there didn't seem to be any way of predicting
25 when that might turn around. And the Company would then be

1 spending more than it was collecting under the accrual method.
2 And --

3 JUDGE WOODRUFF: Mr. Schwarz, in your answer you
4 said Laclede Gas. Did you mean MGE?

5 MR. SCHWARZ: No. I meant Laclede Gas.

6 JUDGE WOODRUFF: Okay.

7 MR. SCHWARZ: That's where Staff's policy evolved.

8 JUDGE WOODRUFF: All right. I just wanted to be
9 clear on that.

10 MR. SCHWARZ: Yeah.

11 COMMISSIONER DAVIS: Okay. Going to the -- to the
12 alternative minimum tax issue for just a second, what was
13 Staff's position, what was MGE's position and how was -- how
14 was this number arrived at?

15 MR. HACK: If -- I'll take a shot at it.

16 This number is MGE's as-filed position, which is
17 based upon a -- an allocation of AMT experienced by Southern
18 Union Company alternative minimum tax.

19 It's my understanding that the Staff's position --
20 let me back up a little bit.

21 That that treatment and MGE's position is -- has
22 been consistent. Since our inception in Missouri in 1994,
23 it's been treated that way in every rate case.

24 The Staff's position, as I initially understand it,
25 was -- were concerned about the amount. We're not certain

1 that it -- it has been calculated to our satisfaction. In the
2 course -- in the ongoing course of discussions and testimony
3 on this issue through the proceeding, I think the Staff was
4 able to develop a comfort level that the amount was calculated
5 accurately and appropriately.

6 COMMISSIONER DAVIS: Okay. And with regard to bad
7 debts, going back to the 3- and 5-year averages, has Staff
8 done any studies to look at the relationship of cost to bad
9 debts? So, for instance, if the price goes up, you have more
10 bad debts? Have there been any studies done on that?

11 MR. OLIGSCHLAEGER: Not in any formal way. I -- I
12 know that Mr. Noack in his rebuttal testimony presented some
13 indices that he believes affected bad debts, cost of gas,
14 unemployment rates and so on.

15 And looking at the evidence in Mr. Noack's
16 rebuttal, it was our belief that there may be some explanatory
17 power there. But in other cases some of the indices were
18 going up, while at the same time bad debts were going down.
19 So it -- it's hard to establish a direct correlation.

20 COMMISSIONER DAVIS: So there's -- so it's your
21 position that there's no correlation between unemployment,
22 increased costs -- to the best of your knowledge, that there's
23 no correlation between that and bad debt?

24 MR. SCHWARZ: No, sir, that's not our position at
25 all.

1 COMMISSIONER DAVIS: Okay. What --

2 MR. SCHWARZ: Our position -- we haven't studied
3 those things. I think that it's safe to say that the size of
4 the customers' bills is a factor that's affected by both
5 weather and the cost of gas. Certainly the general economic
6 conditions affect the cost of gas.

7 We have not done any statistical analysis to try to
8 separate out the contribution of any of those components.

9 COMMISSIONER DAVIS: Well, I'm just looking at what
10 I know to be the historical trends of gas costs, and what they
11 are this summer compared to what they were a year ago,
12 two years ago, three years ago, five years ago.

13 And obviously, if costs continue at the current
14 rates, then costs are gonna go up. And I'm just trying to
15 find out, you know, would it be better if we accounted for
16 that now or not?

17 MR. SCHWARZ: I -- I -- I would say the fact that
18 the Company and the Staff have reached an accommodation on the
19 issue is -- is an indication that this -- the middle ground
20 between the two parties is a -- is a suitable resolution.

21 You know, the -- the actual level of bad debts will
22 be affected significantly by the weather this upcoming winter
23 and the next -- and so however these rates are in effect. And
24 whether you -- you would, for instance, try to -- to do a
25 separate trend analysis for the cost of gas and offset that

1 against the general economic conditions, no -- to my
2 knowledge, no party has -- has undertaken that kind of -- of
3 detailed study. And I'm not sure how accurately you
4 could -- could combine them.

5 COMMISSIONER DAVIS: Mr. Schwarz, I mean, you were
6 asking Mr. Noack numerous questions about what detailed
7 studies they've done.

8 MR. SCHWARZ: Yes.

9 COMMISSIONER DAVIS: Okay. Well, shouldn't --
10 shouldn't my expectations of you be similar?

11 MR. SCHWARZ: Yes, I think so. And I -- I don't
12 think either the Company or Staff has. Now, Mr. -- well, I
13 don't want to -- I don't want to argue the -- the case or
14 anything.

15 COMMISSIONER DAVIS: Okay. Revenues: What was
16 Staff's position, what -- I mean, I realize it was -- what was
17 Staff's position, what was MGE's position, and how did we get
18 to this \$471,663?

19 MR. HACK: Let me take a -- take a stab at that.
20 It's made up of a number of items. The first that I'd like to
21 address is customer growth --

22 COMMISSIONER DAVIS: Uh-huh.

23 MR. HACK: -- the annualization to reflect the
24 number of customers at the end of the year.

25 Through the course of -- of -- I think after

1 surrebuttal testimony, the Staff was looking at its customer
2 growth adjustment and discovered a problem with it. And that
3 problem reduced their customer growth number by about
4 \$1.6 million, and effectively made the Staff's customer growth
5 adjustment equal and almost identical to MGE's customer growth
6 adjustment.

7 So that's the first component of this number. And
8 I think the customer growth number included in -- in this
9 calculation is a positive 1.175 million.

10 The second element of the -- the revenue number has
11 to do with weather normalization, and how you measure normal
12 weather and how you quantify the impact of normal weather on
13 the Company's test-year revenues.

14 The Staff has filed a position -- as it would have
15 been going into litigation, I think was that -- that normal
16 weather would have required a negative adjustment to the tune
17 of approximately \$476,000. The MGE position as it was going
18 into hearing was about a \$1.25 million negative adjustment.

19 But the accommodation that was re-- was reach on to
20 effectively split the difference between the two positions and
21 was -- was based effectively on a 30-year normal through the
22 end of calendar year 2002.

23 The -- the last component of the revenue adjustment
24 is recognition of the -- the revenue reduction to be
25 experienced by the Company in association with adoption of the

1 late-payment charge recommendation of Staff Witness Imhoff
2 taking the current late-payment charge of 1.5 percent and
3 reducing it to .5 percent.

4 The -- the net net of -- of all of those factors
5 produced the negative number that is shown in the corrected
6 stipulation.

7 COMMISSIONER DAVIS: When's the last time MGE has
8 gone out and borrowed money either short-term or long-term?

9 MR. HACK: MGE itself is a division of Southern
10 Union Company and the financings occur at the corporate level.

11 COMMISSIONER DAVIS: Okay.

12 MR. HACK: And -- but that -- but that occurs quite
13 regularly.

14 COMMISSIONER DAVIS: Okay. And what kind of
15 interest rate do they get?

16 MR. HACK: The short-term rate is very low -- in
17 the 1 or 2 percent range. The -- the longer term rate, I
18 believe, is -- is probably in the -- in the 6 or 7 percent
19 range.

20 COMMISSIONER DAVIS: Okay. Let me think of how to
21 phrase this question.

22 What efforts did Staff undertake to analyze whether
23 the May 1, 2004 union wage increase was reasonable?

24 MR. OLIGSCHLAEGER: That is an item we intend to
25 look at at the -- the true-up phase of this proceeding, which

1 will follow immediately beyond -- beyond the conclusion of
2 these hearings. We have not actually made much effort at --
3 up to this point in time to look at that increase.

4 MR. HACK: It is based on -- on a negotiated
5 contract, just for the record.

6 MR. SCHWARZ: And --

7 COMMISSIONER DAVIS: Thank you, Mr. Hack.

8 And let me just -- numeral 11 in the actual
9 corrected stipulations says that, if the Commission does not
10 unconditionally approve this stipulation and agreement without
11 modification and notwithstanding its provision, it shall
12 become void therein.

13 So it's your position that that is an
14 all-or-nothing deal; is that correct?

15 MR. HACK: Commissioner, that is the -- the -- the
16 standard stance under which these -- these kinds of agreements
17 are proffered to the Commission. On behalf of -- of MGE, I
18 would simply say two things.

19 One, we -- we did negotiate these items as a
20 package so that they are -- are -- while set forth separately,
21 their impact is assessed as a package.

22 And, two, while it says in the document itself
23 void, my practical reading of that is that it is really
24 voidable. So that -- that if the Commission came forward and
25 said, you know, we really would like to do X instead of Y on a

1 particular item, depending upon who's ox was "gored," the
2 parties may very well say that's fine.

3 MR. SCHWARZ: I might --

4 MR. HACK: I'm sorry, go ahead, Mr. Schwarz.

5 MR. SCHWARZ: I might add, from the Staff's
6 perspective, that is certainly reflective of Staff's position
7 with the respect to the signatories.

8 I will tell you that if the Commission changed a
9 term or a condition, that Staff would not view that as, for
10 instance, its ox being gored.

11 If the Commission oppo-- changed the terms, for
12 whatever reason, Staff would certainly consider that binding
13 and would -- would not assert this paragraph as -- as against
14 the Commission.

15 COMMISSIONER DAVIS: Going back to the net
16 depreciation just for a second, it's my impression, based on
17 what I've heard here today, that the way the expense method
18 was arrived at was basically the idea of a Staff person, and
19 the Commission has -- has never really articulated a position
20 on that, correct?

21 MR. SCHWARZ: The -- the -- the Commission has
22 certainly approved stipulations and agreements among the
23 parties.

24 COMMISSIONER DAVIS: Right.

25 MR. SCHWARZ: And my -- my recollection is that

1 there are a couple of cases where the Commission actually
2 ruled on it. One of them, for instance, however, is Orchard
3 Farm Telephones, which I don't know --

4 COMMISSIONER DAVIS: I've been to Orchard Farm.

5 MR. SCHWARZ: Well, I -- I know where it is. And
6 I -- I -- what I'm suggesting is I'm not sure how contested
7 that was on the -- the Company's side.

8 COMMISSIONER DAVIS: Right.

9 Hypothetically speaking, Mr. Schwarz, if we were to
10 adopt a different methodology, is it your position that the
11 facts contained herein would have to -- or the facts that --
12 how they're incorporated into that methodology have to be in
13 the record or that the actual methodology would have to be in
14 the record?

15 MR. SCHWARZ: I'm not sure that I follow your --
16 your question.

17 COMMISSIONER DAVIS: Well, I'm going back to an
18 earlier statement, some questions that Commissioner Murray was
19 asking.

20 If -- if we decide to go in another direction, is
21 it your position that the methodology that we use would have
22 to -- for net cost of removal has to be in the record?

23 MR. SCHWARZ: I -- I think that there has to be
24 competent and substantial evidence in the record to support
25 whatever decision the Commission makes so, yes.

1 But I think that's just a -- a general statement
2 of -- of principles.

3 COMMISSIONER DAVIS: No further questions at this
4 time.

5 JUDGE WOODRUFF: Commissioner Appling?

6 COMMISSIONER APPLING: Two questions.

7 And I think I would like to hear from MGE and the
8 Staff on my first question. And the first question is to
9 follow up on a question that was asked by Commissioner Davis.

10 One day we was at 20 years for depreciation, and
11 the next day we was at 44. That's a big leap. Somebody help
12 me out, and how did we get there? Was that done through a
13 rate hearing agreement or was that done through a study?

14 Mr. Hack, would you like to speak to that, please?

15 MR. HACK: I -- I'll try and offer some history.
16 The -- the 20-year rate for service lines was in effect when
17 MGE acquired this Missouri property -- or Southern Union
18 acquired the Missouri property that became MGE from Western
19 Resources in 1994.

20 That 20-year rate remained in effect until the 2001
21 rate case, at which point we had a comprehensive settlement
22 agreement, and -- and a number of changes were made to MGE's
23 depreciation rates. And one of them was this 44-year life for
24 service lines. That 44-year life, I think the record will
25 reflect, was based in total on Laclede Gas Company

1 depreciation rates.

2 You know, I can't sit here today and say we didn't
3 agree to that rate; we did. But -- but as -- as we
4 experienced life under that depreciation rate and as we -- we
5 looked around the country at -- at other depreciation rates
6 applicable to similar property, and as we looked at our own
7 service territory and -- and the kind of experience we were
8 having with service lines, we came to the conclusion that that
9 was an excessively long life.

10 And the part of -- of our presentation in this case
11 was designed to achieve some -- some closer similarity in
12 depreciation rates with -- and our depreciation rates,
13 particularly as it relates to service lines, between our
14 actual experience, as well as -- as companies out there in --
15 in the marketplace who are comparable to us.

16 Just a little bit more history, if I will, MGE has
17 replaced over 230,000 service lines in the last 13 years or so
18 under the Commission's gas safety rules -- what we call SLRP,
19 our safety line replacement program.

20 That is a massive undertaking, and -- and has
21 necessarily, I think, had an impact on the average service
22 life of -- of our facilities.

23 And, you know, I -- we're gonna do -- we do
24 periodic depreciation studies. We'll do another one, as
25 Mr. Noack said, to be submitted sometime in the summer of

1 2005. But we feel a heck of a lot more comfortable with the
2 37-year service life than -- than we did with the 44-year
3 service life.

4 COMMISSIONER APPLING: Thank you, Mr. Hack.

5 Staff, would you comment on the other seven or
6 eight organizations that provide gas to the State of
7 Missouri? What is the average?

8 MR. SCHWARZ: Offhand -- do you know -- Mark, do
9 you know that?

10 MR. OLIGSCHLAEGER: If you are talking about the
11 services account specifically, it's my understanding talking
12 to the depreciation department personnel and Ms. Mathis -- and
13 if need be, they can probably give you more detailed
14 information -- that the services depreciation rates for
15 Missouri LDCs generally range from about 36-year average life
16 to a 45-year average life.

17 COMMISSIONER APPLING: Okay. Thank you.

18 Second question, Mr. Noack. Now that I'm
19 approaching the retirement age rapidly, how is MGE's
20 retirement or pension fund? What -- what shape -- is it in
21 good shape or is it -- did I ask a bad question or one that I
22 shouldn't ask?

23 MR. NOACK: No. I -- I just -- I'm not sure I know
24 the answer to that, Commissioner. I don't believe that there
25 are, you know, massive excess amounts, you know, in -- in our

1 pension fund, but -- go ahead.

2 MR. HACK: I might be able to help. The -- the --

3 the ERISA minimum funding level --

4 COMMISSIONER APPLING: Uh-huh.

5 MR. HACK: -- currently is zero. So -- so I think

6 that -- that -- that the pension fund is in entirely adequate

7 funded status as it exists today.

8 COMMISSIONER APPLING: Thank you.

9 And the reason I asked those questions, it's

10 amazing what kind of questions I'm asked in Wal-Mart at

11 eleven o'clock at night.

12 Judge, that's all the questions I have.

13 JUDGE WOODRUFF: Thank you.

14 Chairman Gaw?

15 COMMISSIONER GAW: Thank you, Judge.

16 Is it -- is it in any of the documents that you all

17 have filed the amount of -- of value of each of these items

18 that have been stippped? And -- and if it is not, I'd like to

19 have a chart of the original position of the parties, the

20 value of that item and then the -- the final position as a

21 result of the stip.

22 MR. SCHWARZ: We can certainly provide that

23 forthwith.

24 JUDGE WOODRUFF: And could you provide that today

25 yet or do you need until Tuesday?

1 MR. SCHWARZ: We can pro--

2 MR. HACK: Our ability to work on it today is gonna

3 be somewhat hampered by our desire to drive back to Kansas

4 City. But -- but the numbers are -- are certainly not

5 difficult to generate, and -- and we should be able to -- to

6 submit it pretty promptly early next week.

7 JUDGE WOODRUFF: Okay.

8 COMMISSIONER GAW: Okay. Public Counsel?

9 MR. MICHEEL: Yes, sir.

10 COMMISSIONER GAW: You're not a signatory to this

11 stipulation?

12 MR. MICHEEL: No, sir.

13 COMMISSIONER GAW: You don't object to it?

14 MR. MICHEEL: That's correct, sir.

15 COMMISSIONER GAW: But you don't necessarily

16 support it?

17 MR. MICHEEL: That's correct, sir.

18 COMMISSIONER GAW: Now, I know that's what it means

19 when you don't object.

20 MR. MICHEEL: That's what it means.

21 COMMISSIONER GAW: Now, tell me what you think

22 about this.

23 MR. MICHEEL: I think generally, given the -- the

24 limited amount of knowledge that we have and the fact that we

25 didn't -- we didn't file testimony on these issues, and so our

1 technical people have not, if you will, turned up all of the
2 stones. But -- but they have looked at -- at these items, and
3 generally we find them to be acceptable.

4 But the reason that we're not joining on these
5 items is for the very reason I told you. We haven't
6 overturned all of the stones. We haven't done, what I would
7 say, our own studies and -- and formed our own positions on
8 this.

9 And so I -- I don't want to be agreeing to
10 something that in another case, you know, if -- if we have a
11 different allocation of our resources and ability to look at
12 these again -- and I know there's the preparatory language in
13 here. It's only for this case. But I've been around long
14 enough to learn my lesson with respect to agreeing to certain
15 things and -- and they always seem to come back. And -- and
16 that's okay. I mean, I do it. Everybody does it.

17 So generally we're okay with this. But we are not
18 joining. And -- and the reason is, we haven't turned over all
19 of the stones. But I -- I trust that the Staff has turned
20 over all of the stones, that MGE has turned over all the
21 stones, and they were willing to come to an agreement and
22 compromise their varying positions.

23 And to the extent that they're able to do that,
24 we're not gonna stand in the way, Your Honor.

25 COMMISSIONER GAW: Okay. The other parties that

1 are not signatories?

2 MR. CONRAD: Are you looking at me?

3 COMMISSIONER GAW: Yeah, I'm -- I am looking at
4 you.

5 MR. CONRAD: I wonder why.

6 COMMISSIONER GAW: I -- I just figure that you have
7 an opinion --

8 MR. CONRAD: Yeah.

9 COMMISSIONER GAW: -- and it probably won't take
10 much probably to get it out of you.

11 MR. CONRAD: I thought you may have hit that
12 threshold already. Judge, like -- like counsel for Public
13 Counsel, we did not get into these issues.

14 As you might not be surprised to learn, on many of
15 these issues, my clients' budgetary necessity must depend on
16 the -- the adequacy of Staff's review of these matters.

17 And we have no basis on which to question, as -- as
18 Mr. Micheel well says, to -- the turn over the -- the stones
19 and see if there is anything there. We don't have the
20 resources to turn over the stones that Staff has.

21 I would make one comment. And since -- and it
22 really doesn't -- it really relates more to what I think
23 Commissioner Davis was asking, if you don't -- if you don't
24 mind.

25 COMMISSIONER GAW: Sure.

1 MR. CONRAD: But there was -- there was a question,
2 I think, he was directing about that. I think -- and I think
3 your characterization of it, Commissioner -- and, by the way,
4 I should mention, once in a while I'm gonna slip and call you
5 guys judges. I hope you don't mind. Because that's -- that
6 was kind of traditional until a few years ago. For some
7 reason, it stopped. I don't know why.

8 But, anyway, Judge --

9 COMMISSIONER DAVIS: As long as you're speaking
10 about me in the present tense and not the past tense, I'm
11 perfectly content with that.

12 MR. CONRAD: All right. Okay. But judge Davis
13 your question went to that -- I -- I don't have that in front
14 of me -- but that clause that says you have to take all of it
15 or -- or none of it.

16 COMMISSIONER DAVIS: Uh-huh.

17 MR. CONRAD: And please understand my clients'
18 position on that type of thing is -- is pretty simple.
19 We -- well, I will defend the -- I guess it would turn out in
20 the current circumstances to be three of you. But I will
21 defend the Commission's right to evaluate a stipulation that
22 is presented to you.

23 You have, in my view, and I think my -- I'm sure my
24 client supports this -- almost unfettered discretion to
25 evaluate that stipulation, the context of it, the components

1 of it as to whether or not it is in the public interest.

2 The parties have -- have settled their dispute as
3 to those issues, and they bring it to you. And the five of
4 you apply to it your innate knowledge and wisdom about what is
5 satisfactory to the public interest. And -- and we defend
6 that.

7 The law, however, is that that's the deal that
8 you're brought. And if you don't like that deal and your
9 evaluation of it that some part of it is contrary to the
10 public interest, then your choice per the cause is to say
11 that's what the parties have brought you, so you have the --
12 the option to reject or accept.

13 Now, having said that -- and I think this may have
14 been what -- what Staff counsel was hinting at -- nothing
15 prevents the Commission from saying, well, we don't like this
16 the way it is and, therefore, we're gonna reject it.

17 However, if the parties were to bring us some
18 package that had this or didn't have that or something, our
19 view would be -- might be different. And that would be a
20 fairly obvious hint to the parties to go back and -- and look
21 again at their -- at their package and say, do we want to do
22 this deal with the modifications that the Commission has
23 suggested?

24 But those are the options. And, in fact, in the --
25 the history of this company -- I think earlier there was

1 reference made to GO-85-265 or GR-85-265 in which the
2 Commission --

3 MR. MICHEEL: 56-285.

4 MR. CONRAD: 56-285, excuse me -- in which the
5 Commission chose to reject a stipulation on rate design and
6 interpose its own decision. That was rejected by the courts,
7 and that was rejected by the appellate courts and it was
8 ultimately rejected by not taking the case by the Supreme
9 Court. And the case came back here on remand.

10 So just as I will defend your right to evaluate the
11 totality of the stipulation on its face by whatever standards
12 you choose to use to apply the public interest to that, I
13 would also have to defend the parties' rights to -- to
14 construct the deal that they want and present it to you.

15 And please understand that the decision of the
16 other parties who are not joining in it, but like Public
17 Counsel are not opposing it, is based on our evaluation of the
18 deal that they have brought to you.

19 Now, I hope, Judge, that that's helpful to your
20 analysis of it. I don't mean to inject myself in place of
21 this, but I thought that might be responsive to your question.

22 COMMISSIONER DAVIS: Thank you, Stu.

23 MR. CONRAD: Yes, sir.

24 COMMISSIONER GAW: Anybody else that's not a
25 signatory?

1 (No response.)

2 COMMISSIONER GAW: All right.

3 MR. PAULSON: Well, we're not. We have no

4 objection to it, Judge.

5 COMMISSIONER GAW: Yeah.

6 MR. PAULSON: I mean, for the same reasons that

7 Public Counsel and Mr. Conrad have stated. We didn't file

8 testimony on it, so we haven't applied any expertise to it.

9 COMMISSIONER GAW: Okay. Let me ask, on the net

10 salvage issue of Staff, are -- how many -- how many rate cases

11 have we had now where this -- a similar mechanism to this has

12 been -- has been agreed to by the parties?

13 MR. SCHWARZ: I -- I think that this particular

14 arrangement -- the first one was the Missouri-American case

15 and then two Aquila cases that have also settled in the last

16 six months.

17 COMMISSIONER GAW: And now this one?

18 MR. SCHWARZ: Yes.

19 COMMISSIONER GAW: And -- and can you give me some

20 perspective on -- on how this -- this mechanism with the

21 true-up is -- is -- is it making that more -- making the

22 expensing of net salvage more palatable to the -- to the

23 companies, in your opinion?

24 MR. SCHWARZ: Well, in -- in my opinion, it -- the

25 Company's real concern is that they will collect less in rates

1 than they actually expend for cost of service -- or for cost
2 of removal. To the extent that they -- this gives them some
3 reassurance that those costs will ultimately be recovered, I
4 think that is -- is one of the reasons that they agreed to
5 these stip provisions.

6 COMMISSIONER GAW: In short -- short and simple,
7 Staff's rationale for preferring the expense method, as
8 opposed to what may be done in some other jurisdictions, is
9 it -- is there a similar concern about over- or under-recovery
10 from Staff's standpoint?

11 MR. SCHWARZ: Well --

12 COMMISSIONER GAW: Any other -- any other
13 mechanism?

14 MR. SCHWARZ: I think Staff's view is that treating
15 these items on a -- on a cost basis reflects the same
16 regulatory opportunity that the Company has with insurance
17 costs and postage costs and all the other costs that are --
18 for which rates are set.

19 That is this is what we anticipate what the cost
20 will be. And if the -- in the interim until your next general
21 rate case the costs are higher, then the Company's out a
22 little bit. And -- and to the extent that the costs are
23 lower, the Company's ahead a little bit.

24 COMMISSIONER GAW: You're not -- I -- that's not
25 what I'm asking about really. I'm really trying to understand

1 the justification for Staff's position on the expensing as
2 opp-- of net salvage as opposed to -- to what may be accepted
3 in -- in most jurisdictions as a method of dealing with net
4 salvage.

5 MR. SCHWARZ: Staff believes that -- that it is --
6 the nature of -- of cost of -- of removal has changed since
7 the traditional formula was adopted in the pre-depression
8 era -- or depression years; that is --

9 COMMISSIONER GAW: You're getting longer than my
10 brief explanation.

11 MR. SCHWARZ: Well, the -- when the --

12 COMMISSIONER GAW: I'm looking for something that
13 tells me what the easy answer is to the -- Staff's position.
14 Mr. Oligschlaeger, have you got -- can you tell me?

15 MR. OLIGSCHLAEGER: If I can try to say a sound
16 byte, I would say that in the past we have believed that for
17 most utilities there has been a significant and ongoing
18 differential between the amounts collected in rates for cost
19 of removal compared to the amounts actually incurred by the
20 utilities.

21 COMMISSIONER GAW: Yeah. So -- so you had -- your
22 concern was that there -- that in the past that -- that
23 there -- the matching up of what was actually shown as the
24 figure anticipated for net salvage and what was actually
25 incurred -- that there wasn't a good match up, I guess?

1 MR. OLIGSCHLAEGER: That is correct.

2 COMMISSIONER GAW: And this expensing mechanism is

3 an -- is an attempt -- is an attempt to try to address that?

4 MR. OLIGSCHLAEGER: Yes.

5 COMMISSIONER GAW: Now, when you add the true-up,

6 doesn't that get even closer to that?

7 MR. OLIGSCHLAEGER: Yes, it does. It -- it comes

8 close to saying you'll recover the actual costs that you incur

9 for cost of removal. It's -- just a quick explanation. Under

10 the old method of accounting for a depreciation reserve, if

11 you incurred more or less, that differential would be booked

12 to rate base and the customers would get credit or -- or the

13 Company would get credit for that.

14 By allowing a true-up, we kind of agreed to a

15 vestige of the old system where there is a way that there's

16 not a permanent loss to either the Company or the customers if

17 there's a differential between the amounts collected in rates

18 and the amounts that the Company actually spends.

19 COMMISSIONER GAW: So in the end, what's the

20 difference then? Help me understand what the difference is.

21 MR. OLIGSCHLAEGER: The difference, again, from the

22 Staff perspective would be that you should have a more

23 accurate collection in current rates of the costs that the

24 Company incurs for cost of removal.

25 COMMISSIONER GAW: Okay. Mr. Hack, do you -- do

1 you want to respond to that in any way? I'm not trying to get
2 a debate going at all. I'm just --

3 MR. HACK: Well, I -- you know, I think as -- as
4 I've tried to indicate earlier, this is -- we try to approach
5 things practically --

6 COMMISSIONER GAW: Sure.

7 MR. HACK: -- not -- not necessarily always
8 philosophically. And -- and this, as a practical matter
9 issue, hasn't been a big one for us. So -- so we're not the
10 leading edge of the debate on -- on this issue.

11 And we're certainly not by -- by inking this --
12 this settlement agreement trying to establish philosophy going
13 forward. But we are comfortable with the methodology, and --
14 and just as we were comfortable with reflecting net cost of
15 removal and depreciation rates.

16 COMMISSIONER GAW: Uh-huh. The part that bothers
17 me is that -- that -- that because this issue keeps lingering
18 on here from case to case, I'm -- it -- it -- I -- I feel like
19 we're -- at some point in time the Commission needs to say,
20 this is how we're going to do this going forward, at least
21 until that time when a different Commission makes some
22 different decision about it.

23 MR. HACK: I -- I certainly understand kind of
24 the -- the position you find yourself in. But -- but that
25 issue, as a practical matter, was not presented in this -- in

1 this case really.

2 COMMISSIONER GAW: Yeah. So, in essence, it really

3 wasn't teed up that way, was it?

4 MR. HACK: It was not.

5 COMMISSIONER GAW: Yeah.

6 That's all I have, Judge. Thank you -- thank you

7 all.

8 JUDGE WOODRUFF: All right. Thank you.

9 Commissioner Murray, did you have something else?

10 COMMISSIONER MURRAY: Yes, I do. Sorry. If I can

11 remember what it was. Give me a minute.

12 JUDGE WOODRUFF: While you are looking at that, I

13 have one thing that I want to say, too. I believe it was

14 Staff that indicated that they would be preparing a document,

15 along with MGE regarding the various costs in the settled

16 amounts; is that --

17 MR. SCHWARZ: The parties' original positions --

18 JUDGE WOODRUFF: Yes.

19 MR. SCHWARZ: -- and the settled positions, yes.

20 JUDGE WOODRUFF: I -- I'm gonna ask you to file

21 that on Tuesday of next week. And the reason for that is

22 I'm -- I will inform the Commissioners I intend to put this on

23 agenda for discussion at least on Thursday of next week,

24 because I know you all are gonna be gone the week after that.

25 So I might be able to have that in time to -- so we

1 can have that for Thursday. Okay. I'll -- I'll discuss that
2 with you. Okay. But I still would --

3 MR. SCHWARZ: Yes.

4 JUDGE WOODRUFF: -- like to have that on Tuesday.

5 All right. Commissioner Murray?

6 COMMISSIONER MURRAY: I wanted to ask for an
7 explanation of the revenues, paragraph 9, the agreement that a
8 decrease for test-year revenues would be recognized for
9 customer growth weather normalization and adoption of the
10 late-payment charge.

11 What -- if you took all of those items together
12 from the Company's original position and the Staff's original
13 position, do you have numbers for what those -- what that
14 total revenue reduction recognition amount would have been?

15 MR. HACK: Well, the total of the settlements is
16 471,000. As -- as for the Company's initial position we had a
17 customer growth number that was a positive number of
18 approximately \$1.2 million. We had a weather adjustment that
19 was a negative -- or a reduction to test-year revenues of
20 approximately \$1.25 million.

21 We had a -- a load-attrition adjustment that was a
22 negative number in the amount of -- and I'm having difficulty
23 here -- approximately \$1.6 million.

24 Now, we did not have -- have any adjustment in our
25 case related to the late-payment charge change, because we did

1 not recommend a change to the late-payment charge. But -- but
2 we have not -- in -- in agreeing to that, we have not -- we
3 accept and -- and have reviewed and find it accurate, the
4 Staff's calculation of the revenue impact of that change,
5 which is a reduction of current revenues of \$770,000.

6 COMMISSIONER MURRAY: And what was the late-payment
7 charge amount that was agreed to?

8 MR. HACK: One half of one percent.

9 COMMISSIONER MURRAY: And the Company was --
10 actually the Company was currently --

11 MR. HACK: It had -- it had been one-and-one-half
12 percent.

13 COMMISSIONER MURRAY: And in that change is there a
14 possibility that changing from one-and-a-half percent down to
15 one half of one percent for a late charge would serve
16 some -- provide some inc-- provide less incentive to pay on
17 time than the late charge that is currently in effect?

18 MR. HACK: Commissioner, that -- that was a concern
19 that -- that we expressed through our testimony. And in -- in
20 somewhat of a response to that concern, the -- the other
21 parties or the Staff has -- has responded that bills have
22 increased.

23 So -- so that, you know, the -- the
24 one-and-one-half percent of -- of a lower number is not
25 necessarily that much greater than the one half of one percent

1 and somewhat higher number.

2 It's -- you know, I -- I think we have agreed to
3 it. We do not -- so we'll just have to see, I think, is the
4 answer.

5 COMMISSIONER MURRAY: So part of the rationale is
6 that because the bills are -- are higher that there will still
7 be a significant late fee if an individual pays late; is that
8 right?

9 MR. HACK: I don't know if I would call it
10 significant, but it will at least be visible.

11 COMMISSIONER MURRAY: How -- will there be a -- a
12 method to actually determine what the effect of that change is
13 over time?

14 MR. HACK: Through -- through the cash-working
15 capital analysis, the lead-lag studies we get a sense of -- of
16 how -- how quickly our customers pay their bills once their
17 bills are rendered. And we will -- you know, we'll have
18 information in this record or in the work papers indicating,
19 you know, how -- how quickly our customers paid their bills
20 under a one-and-a-half percent late-payment charge.

21 And -- and going forward in our next rate case
22 under the cash-working capital and lead-lag study we'll be
23 able to see whether that's different and whether we think
24 there's -- there's a relationship between the late-payment
25 charge and whatever difference there may be.

1 COMMISSIONER MURRAY: And is there a demonstrable
2 relationship between the rate of late payments -- or that's
3 not a good way to state that -- the number of -- or percentage
4 of payments that are received late and the ultimate bad-debt
5 level?

6 MR. HACK: It's -- I think the answer would be
7 depends on how late. Our collections folks certainly like to
8 see 30 days arrears accounts lowered rather than higher.

9 But -- but I think the real indicator I think of
10 bad debts is the 60 days arrears accounts. And the way that
11 this late-payment charge is calculated, it's not compounded
12 monthly. So if -- if you have \$100 bill and you don't pay it
13 on time, whatever the late-payment charge be it a half percent
14 or a percent is applied once to that delinquent \$100.

15 If you don't pay it for two months, we don't apply
16 the -- the late-payment charge again for the second month to
17 that same balance. So there is a relationship, but I -- I
18 can't express it as a number.

19 COMMISSIONER MURRAY: Is that currently the way
20 late-payment char-- late-payment charges are done? I mean,
21 are they not applied to the second month of arrearages?

22 MR. HACK: That's -- that's always the way it's
23 been done for MGE. You know, if -- if they're late the first
24 month, it's applied to the first month's balance. If they
25 then are late the second month, it would be applied to the --

1 the -- that second month balance for which they're late only,
2 not to both the first and second month service bill.

3 COMMISSIONER MURRAY: It doesn't seem like that
4 would lead to an incentive to pay off an arrearage.

5 MR. HACK: And that's -- that's something we've
6 looked at, you know, what -- what -- and I think probably led
7 us to accept the one half of one percent. We've looked at --
8 at perhaps having instead of a percentage-based late-payment
9 charge, perhaps just a flat fee of \$2, \$5 or whatever it might
10 be, and that may provide a better incentive.

11 COMMISSIONER MURRAY: Okay. Thank you.

12 JUDGE WOODRUFF: All right. Thank you all very
13 much. And that -- that will conclude the -- this portion of
14 the proceedings with the questions from the Commissioners
15 regarding the stipulation and agreement.

16 That means we need to come back now to what we were
17 doing before the earlier break, which was Mr. Noack on the
18 stand with questions from the Commissioners.

19 MR. PAULSON: Judge, were you gonna discuss the
20 briefing schedule?

21 JUDGE WOODRUFF: We will do that before we break
22 for lunch. And I -- I know you and probably some others want
23 to be able to get out of here. I'd like to do that when all
24 the Commissioners are here.

25 We'll get Mr. Noack back up here.

1 MR. PAULSON: Thank you.

2 MR. HACK: Can Mr. Noack have about a minute to run
3 out and come back?

4 JUDGE WOODRUFF: Yes. And anyone needs to run out
5 can do so as well.

6 (A RECESS WAS TAKEN.)

7 JUDGE WOODRUFF: All right. Let's go ahead and get
8 started here. Mr. Noack is back on the stand, and so I'll
9 turn it over to you -- to you, Chairman Gaw.

10 COMMISSIONER GAW: Thank you.

11 MICHAEL NOACK, having previously been sworn, testified as
12 follows:

13 QUESTIONS BY COMMISSIONER GAW:

14 Q. Mr. Noack, I -- I -- I want to just get a little
15 more information from you on the testimony about this Pay As
16 You Save concept and -- or the PAYS Program. And it goes by
17 different names in different places.

18 And help me to understand the Company's position in
19 regard to -- to -- to this program. Is it -- is it that you
20 just don't want to get into that at this point with -- with
21 other studies going on at the Commission or have you specific
22 reservations about the proposal?

23 A. Well, with the -- with regard to the PAYS Program,
24 I -- I frankly don't really know much about it, except for
25 what -- what I've read in testimony. I have not had a chance

1 to investigate the program whatsoever.

2 But, I mean, just -- just from what -- from what I
3 read in other parties' testimonies, I know for one that
4 somewhere along the way we have to figure out a charge that we
5 have to implement on a bill in order, you know, to -- to
6 refund or pay back whatever incentives have been financed for
7 these customers.

8 How much that is on the bill, I don't -- I don't
9 know what it is. I'm not sure how that initial investment
10 would actually even be funded.

11 I mean, there was talk in -- in some of the
12 testimony about eventually finding a financial institution
13 that would back this. I mean, there's just so many questions
14 out there right now, Commissioner, that it's -- it's nothing
15 that -- I mean, we just can't even really address it -- the
16 implementation of it.

17 I mean, there's -- I know for -- for a fact that if
18 we have to -- you know, to include something on the bill, I
19 mean, that'll be a costly program. I mean, it just -- we'll
20 have to change something -- add a line of some sort to the
21 bill.

22 And I -- I guess I ought to just go back. I've
23 read the testimony. I understand that it's -- that it's
24 there, but -- but I just have not -- we haven't had a chance
25 to -- to sit down and -- and figure out exactly all the steps

1 that MGE would have to go through to implement such a program
2 like that.

3 Q. Are there older homes in MGE's territory?

4 A. Oh, yes.

5 Q. Are there homes that are very inefficient in --
6 in -- in their insulation, furnaces and heating units that
7 they have within them in your territory?

8 A. Oh, I would assume that there -- that there are,
9 yes.

10 Q. What --

11 A. Absolutely.

12 Q. -- programs does MGE currently have in effect
13 that -- that to -- to deal with those issues?

14 A. The weatherization program that we have currently
15 in effect where \$340,000 is -- is donated -- well, it's really
16 funded by the ratepayers. But it's -- 250,000 of it is given
17 to the Kansas City -- Mr. Jackson's department.

18 And that, I think, covers all of the metropolitan
19 counties around our service terr-- service area around Kansas
20 City.

21 And then we also spread the other \$90,000 around
22 different agencies down south in the Joplin, Monett area, and
23 also in the St. Joe service area.

24 Q. The money that goes into, though, it's in that
25 program?

1 A. That is completely -- and those monies are entirely
2 spent on weatherization of -- of homes, yes.

3 Q. Does MGE get that money back?

4 A. Does -- no, they do not.

5 Q. Are you familiar with the concept in the -- in the
6 Pay As You Save Program that the money is -- is paid back over
7 time that's invested in it?

8 A. I -- from what I've -- I've read in the
9 testimonies, Commissioner, that's what I understand, is that
10 someone funds the investment in these weatherization programs.
11 And based on the savings that -- that someone else will
12 quantify -- the customer will refund a portion of those
13 savings through a charge on their bill, is the way that I
14 understand it.

15 Q. And -- and so --

16 A. And then I would assume that we would -- if -- if
17 someone else is funding the program, we would collect that
18 money and turn it over to whoever was funding the program.

19 Q. Okay. So -- so there's money -- the money actually
20 comes back in that program; is that correct?

21 A. That's --

22 Q. At least that --

23 A. -- the way I understand it, yes.

24 Q. That's not what happens in the program you're
25 currently involved with -- not that there's anything wrong

1 that program, but that doesn't happen there; is that correct?

2 A. That's -- that's correct.

3 Q. All right. Now, is it -- does MGE think that it is

4 good policy -- public policy or bad public policy to make

5 residences and office space, for that matter, more heating

6 efficient and cooling efficient?

7 A. Well, I -- I believe its's good public policy.

8 Q. And does -- does MGE believe that it is -- that

9 that kind of good public policy is worth -- worth

10 investigating mechanisms -- it's worth investigating

11 mechanisms that would implement that kind of policy?

12 A. It's definitely worth investigating mechanisms,

13 yes.

14 Q. Is MGE currently doing that with this program?

15 A. Currently, no, Commissioner, we're not.

16 Q. Can you tell me why not?

17 A. Currently, no, I can't. We're -- we're still

18 studying the experimental low-income rate down in the Joplin

19 area. We've -- we've had the weatherization program in effect

20 since the inception of MGE anyway. And -- and we've asked

21 for -- for additional funds for that in this case.

22 But -- in -- in the case of the PAYS Program I

23 don't -- we -- we haven't looked at it. And -- and the Public

24 Counsel, when they brought it up in this case -- I mean, that

25 was the first that I had heard of it was -- was in this case

1 when they filed testimony.

2 Q. And you don't have any plans to do any further
3 investigation into the program?

4 A. I do not know, Commissioner.

5 Q. Do you know that -- whether or not it is possible
6 that -- that a home could be in such -- so inefficient in
7 its -- in its ability to keep warmth in in the winter and --
8 and coolness in in the summer that an improvement made to that
9 home with additional insulation or perhaps a new furnace could
10 actually cause there to be a savings if you look at the
11 utility bill beforehand compared to the utility bill plus the
12 financing costs of that improvement after the improvement is
13 made?

14 A. I would think that that -- that would be possible,
15 sure.

16 Q. And -- and other than administrative costs that may
17 be incurred, what would be the costs of -- of making that
18 improvement -- the costs of administration and the costs for
19 interest for the financing -- what would be the cost?

20 A. I don't know if there would be any other costs.
21 You know, it would -- except for, you know, again, the
22 programming and the administration and the financing would be
23 the costs of the program.

24 Q. Help me to understand what's wrong with that
25 concept, and why MGE isn't looking into this program then or a

1 program similar to it.

2 A. Well, right now we just don't have the people that
3 are dedicated to -- to beginning programs like that.
4 That's -- that's -- I mean, that's the simple answer, I guess,
5 to it.

6 I -- I don't think that MGE is saying never to
7 things like that. It's -- you know, there -- there's
8 a -- there's a cost that -- that we need to -- to take a look
9 at and just -- we -- we need to sit down with all the parties
10 and would have to just go through what needs to be done to
11 implement such a -- a program, and -- and how -- and who's
12 gonna pay for it. That's all.

13 I don't think we're really saying, no, you know,
14 we'll never ever do anything like this, ever.

15 Q. You're not really saying yes either, though,
16 Mr. Noack. I -- I'm not sure whether you're interested in
17 doing something about the efficiency of the homes in your area
18 with this kind of mechanism or not.

19 I'm trying to get -- to get you to commit to me
20 that you are. But I'm not getting any commitment so far, I
21 don't think, am I?

22 A. No, I don't -- no, you're not getting a commitment
23 from me. I don't know that I can make the commitment for the
24 Company to do something like that, is -- is probably one --
25 one problem that we have.

1 But, like I said, we -- I mean, right now we
2 have -- we have substantial resources in these -- in the
3 department that we have that -- I mean, their sole purpose is
4 to assist low-income families, find them funds.

5 We have the weatherization program. And, I guess,
6 you know, if an agency were to take over something like this,
7 I'm -- I'm sure we could figure out a way to work around it --

8 Q. Mr. Noack --

9 A. -- or work through it.

10 Q. -- the -- the -- the program -- the low-income
11 programs that you have when you have the light-heat program
12 from the federal program, the money that you all may
13 contribute in the low-income program that has to do with the
14 rates charged, you -- none -- none of -- neither of those
15 programs has anything to do with limiting the amount of energy
16 actually used, do they?

17 A. No, they do not. That's only the weatherization
18 program.

19 Q. Would it surprise you if I told you that I've been
20 at public hearings where individuals came in complaining about
21 rate increases when -- in addition, when I asked them how much
22 their heating bill was and they might say \$3, \$400 a month in
23 the wintertime --

24 A. No, I --

25 Q. -- for -- for a residence?

1 A. I -- I understand.

2 Q. And that those same individuals would be

3 individuals who may be in a rental house and paying very

4 little rent a month; that surprise you?

5 A. No, Commissioner. No.

6 Q. How many homes are you -- does the -- does the

7 money that you're contributing to weatherization fix a year --

8 approximate number?

9 A. Well, I think it's about 100 and -- let's see

10 here -- 125 a year --

11 Q. How many?

12 A. -- in the Kansas City area, would be my guess.

13 Q. In the Kansas City area.

14 How many inefficient older homes do you think you

15 have in the Kansas City area that MGE services?

16 A. Oh, I -- I have no idea.

17 Q. Would it be in the thousands?

18 A. I would imagine so.

19 Q. Would it be -- could it be in the hundreds of

20 thousands?

21 A. Might be the tens of thousands, but --

22 Q. You're not likely to get all of the -- at 100 and

23 some a year, you're not gonna get there within 10 years of

24 fixing them all, are you?

25 A. No.

1 Q. Probably not in 20 years?

2 A. No, probably not.

3 Q. Is there a financial incentive from MGE to

4 participate in a program that makes homes more efficient,

5 Mr. Noack?

6 A. No, not that I'm aware of.

7 Q. Is there a financial disincentive for you to do

8 that?

9 A. Only to -- to the extent that -- that if we have

10 to -- to, let's say, expend funds to -- to -- that would I

11 guess -- if there are costs that -- that are not, you know,

12 included in -- like in this case right here that are

13 substantial -- significant costs. I mean, we're not just

14 talking a couple of thousand dollars here. We're talking

15 significant costs.

16 That, you know, would allow us to not -- or keep us

17 from having any chance of -- of earning a return, I think, you

18 know, that would be, I guess, a disincentive of sorts.

19 Q. What about the -- does it -- what about selling

20 less energy, is that a disincentive?

21 A. No, not -- not really.

22 Q. I -- then can I get some commitment from MGE that

23 you are going to look at this program?

24 A. I -- yes. I suppose, yes.

25 Q. Okay. You do have members on the -- the -- the

1 Energy Affordability Task Force, do you not?

2 A. Yes, I believe so.

3 Q. Do you know who your member is?

4 A. I would guess pro-- probably Ray Lewis, but I'm not
5 for -- for certain.

6 MR. HACK: If I could prod the witness, perhaps,
7 it's Kim Lambert.

8 THE WITNESS: Kim Lambert. I'm sorry.

9 BY COMMISSIONER GAW:

10 Q. What is Kim Lambert's position with the Company?

11 A. Kim Lambert is a supervisor in customer accounts, I
12 believe. I Don't know her exact title, but she is in the
13 customer area.

14 Q. All right. And it -- and if the Energy Task Force
15 moves into areas of dealing with programs like the Pay As You
16 Save Program or something similar to that, would she be able
17 to count on you, Mr. Noack, in providing assistance on that
18 kind of a -- on the research necessary to make sure that we
19 have all the information?

20 A. Absolutely. Absolutely.

21 Q. Tell me in regard to -- there is a -- I -- I don't
22 know what -- whether to call this a stip -- a non-unanimous
23 stipulation or not, and I don't want to go too far down the
24 slide on the PAYS Program between Staff and Public Counsel
25 on -- on putting some money toward that program.

1 What -- what is -- have you seen -- have you seen
2 that yet?

3 A. No, I have not seen it.

4 Q. I think it's pretty new, so I'm not gonna try to go
5 too far down that.

6 But what -- give -- what -- how much cost is there
7 to the Company under Public Counsel's position on the PAYS
8 Program --

9 A. I --

10 Q. -- do you know?

11 A. I don't know.

12 Q. Was there anyone else with the -- with the Company
13 that looked at that besides you?

14 A. I -- I don't believe so.

15 COMMISSIONER GAW: Okay. All right. I'll leave
16 you alone, Mr. Noack. Thank you.

17 THE WITNESS: You're welcome.

18 JUDGE WOODRUFF: I believe all of the other
19 Commissioners asked questions before the break. Do you have
20 any further questions at this time?

21 Oh, I'm sorry, Mr. Noack.

22 COMMISSIONER GAW: No, I -- I don't think they did.
23 I -- I --

24 JUDGE WOODRUFF: Commissioner Murray wasn't here.
25 I'm sorry. Go ahead.

1 COMMISSIONER MURRAY: Thank you.

2 QUESTIONS BY COMMISSIONER MURRAY:

3 Q. Mr. Noack, I have to apologize, cuz I have not read
4 the testimony on this issue yet. But I would -- and I don't
5 know if anybody addressed this at all, and it may be a
6 question that is not even appropriate.

7 But I have received some information recently
8 regarding the Gas Technology Institute and the funding through
9 that institute for local research projects like -- and I'm
10 quoting from this information -- like LDC operational
11 efficiency, efficiency -- or efficient appliances and other
12 consumer benefit projects.

13 Are you -- are you familiar with any of the funding
14 that comes through the Gas Technology Institute for programs
15 of that nature?

16 A. No, Commissioner, I'm not.

17 Q. For research, for efficiency or anything of that
18 nature?

19 A. No.

20 Q. Is there in this case, to your knowledge -- in this
21 MGE case that's before us, anything being considered for
22 research and development for energy efficiency?

23 A. Not that I'm aware of, Commissioner.

24 COMMISSIONER MURRAY: All right. I -- I think
25 that's all I have. Thank you.

1 JUDGE WOODRUFF: Commissioner Clayton?

2 COMMISSIONER CLAYTON: No.

3 JUDGE WOODRUFF: Commissioner Davis?

4 FURTHER QUESTIONS BY COMMISSIONER DAVIS:

5 Q. Mr. Noack, can you just clarify -- you were very

6 hesitant in responding to the Chairman about whether MGE would

7 take a look at the PAYS Program. Do you have -- I'm -- I'm

8 sorry -- what is -- what is your roll -- title for MGE or what

9 is your relationship with MGE?

10 A. I'm the director of regulatory affairs.

11 Q. Do you have authority to speak for MGE on that

12 issue?

13 A. No, I don't. But I -- I promised the -- the

14 Chairman that I would assist Ms. Lambert in doing research --

15 Q. Okay.

16 A. -- and looking into the program. And I can -- I

17 can say that.

18 Q. I'm gonna go off on a tangent here just for a

19 second.

20 And, obviously, this would be highly confidential

21 and proprietary, but do you think it would be possible for

22 MGE to collaborate here with maybe the Staff at the Commission

23 to sort of develop a list of households that are served by

24 MGE with the highest gas bills that are at or below the

25 federal poverty level?

1 A. Well -- okay. Let me -- the short answer is, yes;
2 the -- the more detailed is, is we tried -- when we had first
3 implemented the low-income rate down in Joplin, we tried
4 numerous ways even with using the -- Mr. Colton to assist us
5 to obtain the data to -- to find these people on our own.

6 Q. Uh-huh.

7 A. And until such time as they actually enrolled in
8 the program, we were never -- had any idea who they were. We
9 just -- we did a -- a listing of all our customers in the --
10 in the Joplin area with Social Security numbers, sent that to
11 the Division of Family Services who ran it through their
12 computer and spit out a list of those that were at either zero
13 to 50 or 50 to 100 percent of poverty level.

14 Q. Uh-huh.

15 A. And then they sent out the materials for us. And
16 it was only if somebody responded to us that we had any idea
17 who that person would be. So -- so --

18 Q. So you -- you have made that attempt in the past
19 then?

20 A. We have. And I'm -- so, you know, if there's a
21 way --

22 Q. Who was --

23 A. -- to get the data --

24 Q. Right.

25 A. -- we could -- we could put that information in and

1 come out with bills, et cetera.

2 Q. Right.

3 A. But it's private -- or --

4 Q. Right. It's -- right. I understand.

5 Can you characterize your response rate for -- for

6 that attempt?

7 A. I believe it was somewhere in the neighborhood of

8 25 percent maybe, and it might not have been quite that high.

9 COMMISSIONER DAVIS: Okay. Thank you.

10 JUDGE WOODRUFF: All right. Thank you.

11 Then we'll go to recross, based on questions from

12 the Bench, beginning with Kansas City.

13 MR. COMLEY: Thank you.

14 RECROSS-EXAMINATION BY MR. COMLEY:

15 Q. Mr. Noack, there was a few questions from the Bench

16 about your understanding of the low-income weatherization

17 programs that you had, and comparisons a little bit to the

18 PAYS Program.

19 In your testimony you have proposed to -- for the

20 Company to increase the amount of the annual support for these

21 local home -- or rather excuse me -- the low-income

22 weatherization program in Kansas City; is that correct?

23 A. That's correct.

24 Q. And it's also for a systemwide aid with

25 weatherization programs?

1 A. Yes.

2 Q. Is it fair to say that the Company has no issue
3 with the success of the weatherization program as it's been
4 constituted today?

5 A. No, we don't.

6 Q. Is it fair to say that you consider it a highly
7 successful program for you and the City?

8 A. Yes, I believe so. Yes.

9 Q. Regarding the benefits to this program, I think in
10 answer to a question from Commissioner Gaw, you mentioned that
11 the money does not directly -- it does not come back to the
12 Company.

13 Would you agree that there are indirect benefits to
14 the Company because of the weatherization program that's
15 presently in place?

16 A. There may be.

17 Q. Have you ever re-- have you ever reviewed the
18 reports or any kind of expert report about the -- the nature
19 of the experimental program that was instituted between
20 MGE and the City of Kansas City?

21 A. Not recently.

22 Q. Do you know whether or not the weatherization
23 program has helped you with bad-debt expense?

24 A. I haven't done any kind of study on that,
25 Mr. Comley.

1 Q. Is the objective of the program to help MGE with
2 bad debt?

3 A. I believe that's part of it, yes.

4 Q. Isn't it true that it would also reduce the demand
5 for gas by some qualified individuals?

6 A. Through the weatherization, sure, it would do that,
7 yes.

8 Q. And those are mainly residential customers; isn't
9 that correct?

10 A. I believe in that program they're probably all
11 residential customers.

12 Q. And this has helped reduce their -- their bills, of
13 course; is that correct?

14 A. Yes.

15 Q. And also their -- reduce their demand for energy?

16 A. Yes.

17 Q. It's true that you can't help everybody; is that --
18 is that correct?

19 A. I would assume that's correct, yes.

20 Q. Do you know the eligibility requirements for -- of
21 the weatherization program administered by the City and with
22 your assistance?

23 A. No, I don't.

24 Q. Does the program also identify low-income customers
25 that have a very high demand for gas energy?

1 A. You know, I really don't know.
2 MR. COMLEY: Thank you.
3 JUDGE WOODRUFF: Thank you.
4 For City of Joplin?
5 MR. ELLINGER: No recross, Judge.
6 JUDGE WOODRUFF: Federal Agencies?
7 MR. PAULSON: No recross, Judge.
8 JUDGE WOODRUFF: Midwest Gas?
9 MR. CONRAD: No recross, Judge. Thank you.
10 JUDGE WOODRUFF: All right. Jackson County?
11 MR. DEUTSCH: No recross.
12 JUDGE WOODRUFF: Public Counsel?
13 MR. MICHEEL: Yes, I have some.
14 RE CROSS-EXAMINATION BY MR. MICHEEL:
15 Q. Mr. Noack, Chairman Gaw asked you some questions
16 about the PAYS Program. Do you recall that?
17 A. Yes, I do.
18 Q. And you indicated that you were wholly un--
19 essentially wholly unfamiliar with that program; is that
20 correct?
21 A. Yes.
22 Q. Did you send Ms. Meisenheimer a series of Data
23 Requests regarding the PAYS Program?
24 A. I think MGE might have and -- but I did not. I
25 never looked at the responses to them.

1 Q. So -- so did -- did anyone at MGE look at those
2 responses?

3 A. You know, Mr. Micheel, I -- as I said, I -- I read
4 Ms. Meisenheimer's testimony, and I didn't -- wasn't able to
5 become fully aware of all of the intricacies of the PAYS
6 Program, so --

7 Q. Did -- did your Data Requests request information
8 regarding all of the in-- intricacies of the program --

9 A. I believe --

10 Q. -- including funding, administration, further
11 development of how we -- we were gonna do the program and
12 things like that?

13 A. I believe it did.

14 Q. Did you review Ms. Meisenheimer's surrebuttal
15 testimony?

16 A. I said just briefly, yes.

17 Q. Did she set those answers out there again?

18 A. She did, but the program -- yes, she did. But the
19 program is -- is more complicated than that. I mean, it's not
20 something that you can just sit down and -- and read through
21 some testimony and understand everything that needs to happen.

22 Q. You may have to review some Data Requests
23 responses; is that correct?

24 A. Well, even that's not gonna be enough. I mean,
25 it's gonna take face-to-face with -- with probably Public

1 Counsel and -- and other people, and probably those that are
2 experts in the PAYS Program to understand how to work it.

3 Q. At -- at any time did you call the Office of the
4 Public Counsel prior to this case and ask for a face-to-face?

5 A. Not -- not at this time, no.

6 Q. At any time did you call the individuals,
7 Mr. Lachman, L-A-C-H-M-A-N, or Mr. Cillo, C-I-L-L-O, the
8 developers of the PAYS Program, and ask them to understand the
9 program?

10 A. No, I did not.

11 Q. You just decided, no, you didn't want to do the
12 program -- no, MGE didn't want to do the program, correct?

13 A. It wasn't that -- quite that simple, Mr. Micheel.
14 Again, there was a lot of other stuff that was going on at the
15 time, and that was -- I didn't do it, no.

16 MR. MICHEEL: Thank you.

17 THE WITNESS: You're welcome.

18 JUDGE WOODRUFF: Staff?

19 MR. SCHWARZ: No recross.

20 JUDGE WOODRUFF: Okay. Redirect?

21 REDIRECT EXAMINATION BY MR. HACK:

22 Q. What kind of things were going on after -- after
23 you got Ms. Meisenheimer's original testimony regarding the
24 PAYS Program?

25 A. Just getting ready for this case. I mean, there

1 was still lots and lots of Data Requests to be responded to,
2 reconciliations. I mean, this -- it's a never-ending process.

3 Q. Does the Company have a marketing department?

4 A. No, they do not.

5 Q. Does the Company have a research and development
6 department?

7 A. Not at this time.

8 Q. Are any costs associated with these non-existent
9 departments included in the Company's cost of service in this
10 rate case?

11 A. No, they're not.

12 Q. Typically does MGE have access to information
13 concerning customer incomes?

14 A. No, not that -- I don't believe so.

15 Q. In your discussion with Chairman Gaw, you were
16 hesitant to commit to the implementation of a PAYS Program,
17 correct?

18 A. Yes.

19 Q. Would it be reasonable to assume that the Company,
20 through you or others, would certainly be willing to examine
21 the -- the possibility of implementing a PAYS Program?

22 A. Absolutely. And that's, I think, what I told
23 Commissioner Gaw that I would do.

24 Q. Early on Mr. Schwarz asked you some questions about
25 a retail business and -- and different kinds of shirts.

1 Do you remember that?

2 A. Yes, I do.

3 Q. Now, I hate -- I hate to go there, but we're going

4 there. Do you think customers who buy different kinds of

5 shirts perceive different quality levels in the shirts that

6 they may or may not buy?

7 A. Yeah, probably so.

8 Q. Some people, for example, might think a Polo shirt

9 is -- is of a higher quality than -- than a Hathaway shirt,

10 for example?

11 A. That little horse is a status symbol, yes.

12 Q. Does -- does MGE have the ability to offer

13 different levels of service to customers, based upon the

14 customers' payment desires or abilities?

15 A. No.

16 Q. Mr. Conrad asked you a few questions about

17 testimony you've offered in a former life in

18 Case No. GR-98-140.

19 Do you remember that?

20 A. Yes, I do.

21 Q. On whose behalf were you testifying in that case?

22 A. Well, I had a dual role. I think I was testifying

23 on behalf of MGUA and the colleges and Jackson County.

24 Q. And have you offered testimony on those issues in

25 this case?

1 A. No, I have not.

2 Q. You had a discussion early on with Mr. Ellinger

3 from the City of Joplin. Has MGE proposed in this case to

4 discontinue the experimental low-income rate?

5 A. No.

6 Q. Can you say at this time what MGE's position will

7 be with respect to the experimental low-income rate when all

8 the da-- data is in?

9 A. No.

10 Q. Do you believe that the data to date has shown that

11 the experimental low-income rate has positively affected

12 participating customers' payment practices?

13 A. I can't address that. I -- I don't really know.

14 MR. HACK: Thank you.

15 JUDGE WOODRUFF: Thank you.

16 And you can step down.

17 THE WITNESS: Am I excused for the whole week?

18 JUDGE WOODRUFF: For what's left of the proceeding.

19 Hopefully not too much more left here.

20 (Witness excused.)

21 JUDGE WOODRUFF: Before I we on to the next

22 witness, I want to -- to deal with the briefing questions.

23 Cuz I know at least one of you who wants to get out of here,

24 if not more.

25 Before I get into the actual briefs, there's the

1 matter of several motions that the parties made during this
2 proceeding that I indicated I would defer making a ruling on
3 until a later date.

4 I counted in -- from my memory, five. I didn't
5 take good records, but I'll run through them. And if somebody
6 has anything else that I've forgotten, let me know.

7 One was the rehearing on the motion to strike
8 Murray's testimony that was filed as a written motion before
9 the hearing.

10 Two would be the motion -- MGE's motion to strike
11 Mr. Allen's testimony, and the third would be MGE's motion to
12 strike Mr. Tuck's testimony.

13 Four would be Public Counsel's motion to strike
14 Dunn's testimony, and then yesterday Midwest Gas filed a
15 motion to strike Mr. Beck's testimony.

16 Did I miss anything?

17 MR. CONRAD: It was only a portion of Mr. Beck's
18 testimony.

19 JUDGE WOODRUFF: Excuse me. A portion of
20 Mr. Beck's testimony.

21 MR. MICHEEL: And mine was a portion of Mr. Dunn's
22 direct.

23 JUDGE WOODRUFF: Correct.

24 MR. HACK: I can't disagree with -- with that
25 recitation at this point, Judge.

1 JUDGE WOODRUFF: Okay. And -- and, of course, the
2 transcripts have -- we have some of the transcripts back
3 already. And if you review -- in reviewing those, if you
4 notice something I have missed, let me know.

5 What I propose to do is have anyone who wants to
6 file a written response to those motions or a written re--
7 support for those motions, do so by July 9th. And I will
8 present them to the Commission for resolution before the final
9 briefs are due.

10 Then I would have initial briefs filed on July 30th
11 with reply briefs on August 13th. Those are both Fridays --
12 in fact, all three are Fridays.

13 Mr. Franson?

14 MR. FRANSON: Yes. When do you -- do you think,
15 we'll have the transcript, Your Honor, in -- in entirety?

16 JUDGE WOODRUFF: I --

17 MR. HACK: Probably early next week, is my guess.

18 JUDGE WOODRUFF: Yes. MGE has been having them
19 expedited. And when they're expedited, they're being filed as
20 they -- as they're produced.

21 MR. CONRAD: Judge, we -- we received three
22 volumes. I believe, it's the first three days.

23 JUDGE WOODRUFF: Yes.

24 MR. CONRAD: Yesterday I spoke with, I believe,
25 it's Lonnell Boyce --

1 JUDGE WOODRUFF: Yes.

2 MR. CONRAD: -- in the hall during the break a few
3 minutes ago. And she indicated that that was all that they
4 had at that point, so I don't --

5 JUDGE WOODRUFF: I believe that's all I've seen as
6 well. So they will be trickling in over the next several
7 days -- well, not over the weekend, but --

8 MR. MICHEEL: Is -- is there some day you can --
9 some way you can move that July 9th date? I mean, that gives
10 me four days to respond to all of those. And it was my
11 understanding, when you made the initial ruling, that you were
12 gonna take them at the time of briefing.

13 JUDGE WOODRUFF: Well --

14 MR. MICHEEL: So throughout this two weeks I
15 haven't paid any attention to those thinking that I was going
16 to deal with them during the briefing.

17 And, you know, we're gonna end today at, you know,
18 right around four o'clock. And then I -- rather than spending
19 the weekend here this weekend, I was thinking I would spend it
20 at home.

21 JUDGE WOODRUFF: I -- I can -- I can sympathize
22 with that. I don't plan on being here reading them either.

23 I want to be able to get it to the agenda the --
24 the week of the 19th, but I can certainly give you until, say,
25 the 13th. Would that be helpful?

1 MR. MICHEEL: That would be great. Thank you very
2 much.

3 JUDGE WOODRUFF: All right. That will give you a
4 weekend that -- other than the next one to work on it.

5 All right. We'll say July the 13th. And I will
6 issue an -- an order or a notice indicating all this in
7 writing later today or on Tuesday.

8 MR. HACK: Similar to Mr. Micheel's request, can we
9 perhaps get a few days additional on the reply briefs?

10 JUDGE WOODRUFF: I said the 13th. Would an extra
11 weekend help?

12 MR. HACK: Yes.

13 JUDGE WOODRUFF: Let's make it the 16th then.

14 MR. HACK: Okay. Thank you.

15 MR. FRANSON: Your Honor, we ordinarily have
16 rules -- or preferences to avoid Monday and Friday filings.
17 Could we make it the -- Tuesday the 17th? And maybe that's
18 one I'm -- I'm wanting, but it seems like I've heard that a
19 time or two.

20 JUDGE WOODRUFF: No, I -- I'm gonna leave it on the
21 16th.

22 MR. FRANSON: All right. Okay.

23 JUDGE WOODRUFF: Okay. Any other matters regarding
24 the briefings?

25 (No response.)

1 JUDGE WOODRUFF: All right. Then there's the
2 matter of the further witnesses for today and I'll leave it up
3 to you to give me some feedback on this.

4 Do we want to take a break for lunch or do you want
5 to soldier on and get these people out of the way?

6 MR. HACK: We're willing to soldier on if -- if
7 everybody else is. Our -- our cross is not long.

8 JUDGE WOODRUFF: Okay. I don't hear any dissention
9 to that.

10 MR. MICHEEL: I -- I'd prefer lunch.

11 JUDGE WOODRUFF: You'd prefer lunch.

12 COMMISSIONER DAVIS: Stu is making some gestures
13 back there. What was --

14 MR. CONRAD: No, I -- we -- we prob-- it probably
15 won't effect us, Judge. Soldier on if you like; lunch if you
16 like. We'll -- we'll

17 JUDGE WOODRUFF: Well, let -- let's make a
18 compromise and we'll take a -- just a half hour for lunch.
19 And we'll come back at ten minutes 'til one.

20 (A RECESS WAS TAKEN.)

21 JUDGE WOODRUFF: All right. Let's go back on the
22 record, and we are back from our shortened lunch. And I
23 believe the next witness is Bob Jackson for Kansas City.

24 Welcome, Mr. Jackson. Please raise your right
25 hand.

1 (Witness sworn.)
2 JUDGE WOODRUFF: Thank you.
3 You may inquire.
4 ROBERT JACKSON testified as follows:
5 DIRECT EXAMINATION BY MR. COMLEY:
6 Q. Mr. Jackson, would you state your full name for the
7 record, please.
8 A. My name is Robert T. Jackson.
9 Q. And are you the same Robert T. Jackson that has
10 caused to be filed written testimony in the proceeding that is
11 now underway in this case?
12 A. Yes, I am.
13 Q. And for purposes of marking, have they been marked
14 as Exhibits 300 and Exhibit 301?
15 A. Okay. I believe so. Yes.
16 Q. I have identified them as that, and that is direct
17 testimony and rebuttal testimony; is that correct?
18 A. Yes.
19 Q. Mr. Jackson, if I were to ask you the questions
20 that are contained in direct testimony -- in your direct
21 testimony and rebuttal testimony -- your written direct and
22 rebuttal, would your answers still be the same?
23 A. Yes, they would.
24 MR. COMLEY: Your Honor, I'd offer Exhibits 300 and
25 301, the testimony -- the direct testimony and rebuttal

1 testimony of rebuttal -- Robert T. Jackson, respectively, and
2 then offer Mr. Jackson for cross-examination.

3 JUDGE WOODRUFF: All right. Thank you.

4 Exhibit 300 and 301 have been offered into
5 evidence. Are there any objections to their receipt?

6 (No response.)

7 JUDGE WOODRUFF: Hearing none, they will be
8 received into evidence.

9 (EXHIBIT NOS. 300 AND 301 WERE RECEIVED INTO
10 EVIDENCE.)

11 JUDGE WOODRUFF: And for cross-examination,
12 Joplin -- Joplin has already --

13 MR. MICHEEL: You've said it so many times, you --

14 JUDGE WOODRUFF: Come forward, please.

15 MR. ELLINGER: But I have no questions.

16 JUDGE WOODRUFF: All right. Thank you.

17 Jackson County and Midwest Gas have left us.
18 MGE?

19 CROSS-EXAMINATION BY MR. HACK:

20 Q. Good afternoon, Mr. Jackson.

21 A. Good afternoon.

22 Q. How long have you administered or been responsible
23 for the -- the low-income weatherization program?

24 A. 19 years.

25 Q. And how many of those years have you been involved

1 in the program with MGE?

2 A. 100 percent of those years, which is a little over
3 10 years to date.

4 Q. Okay. Have you found MGE to be a cooperative
5 participant in their partnership with the city of Kansas City?

6 A. Yes, I have.

7 MR. HACK: Could you --

8 Good. Thank you.

9 JUDGE WOODRUFF: Thank you.
10 For Staff?

11 CROSS-EXAMINATION BY MR. SCHWARZ:

12 Q. Good afternoon, sir.

13 A. Good afternoon.

14 Q. Have you had an opportunity to look at the
15 non-unanimous stipulation and agreement on weatherization and
16 low-income programs between the Staff and Public Counsel?

17 A. Only upon my arrival late this morning, yes.

18 Q. Have you been able to form an opinion as to whether
19 that's something that you would endorse, oppose or take no
20 position on?

21 A. I can honestly say that I would not particularly
22 oppose it. I cannot endorse it. But I can tell you that if
23 there are -- are some ingredients added to it to assure that
24 that program does not cause us to -- to do harm to an existing
25 infrastructure that is growing, as far as service delivery, it

1 is something to be considered.

2 And I'm certainly tasked with the City to look at

3 all opportunities to help its citizens conserve energy.

4 MR. SCHWARZ: Oh. Thank you.

5 MR. COMLEY: You asked him.

6 MR. SCHWARZ: I -- well -- thank you.

7 JUDGE WOODRUFF: All right. I don't believe

8 Counsel for Public Counsel is right here at the moment. So

9 we'll go forward to questions from the -- from the Bench of

10 which I have none, so there's no need for recross.

11 Is there any redirect?

12 MR. COMLEY: No redirect.

13 JUDGE WOODRUFF: Thank you, Mr. Jackson. You can

14 step down.

15 THE WITNESS: Thank you.

16 JUDGE WOODRUFF: You are excused. Thank you.

17 (Witness excused.)

18 JUDGE WOODRUFF: The next witness on the list is

19 Ms. Meisenheimer, and -- and Mr. Micheel is not here. I -- we

20 won't take you on the stand without your attorney. Do you

21 know where he's at?

22 MS. MEISENHEIMER: He said he would be down here,

23 so he's probably on his way as we speak.

24 JUDGE WOODRUFF: All right. Well, we'll just wait

25 for him then.

1 We can go off the record while we wait.

2 (A RECESS WAS TAKEN.)

3 MR. MICHEEL: We would call Barbara Meisenheimer to

4 the stand, Your Honor.

5 JUDGE WOODRUFF: All right. Thank you.

6 And, Ms. Meisenheimer, you're still under oath.

7 BARBARA MEISENHEIMER, having been previously sworn, testified

8 as follows:

9 DIRECT EXAMINATION BY MR. MICHEEL:

10 Q. Ms. Meisenheimer, have you cause to be filed your

11 direct testimony in the revenue requirements that has been

12 marked for purposes of identification as Exhibit 207?

13 A. Yes.

14 Q. Do you have any corrections you need to make to

15 Exhibit 207?

16 A. No.

17 Q. Do you have any corrections you need to make to any

18 of your other testimonies?

19 A. Yes, I would like to make a correction to page 24

20 of my rebuttal testimony.

21 Q. And why don't you tell us what that correction is.

22 A. On line 17 I would like to delete the words "other

23 forms of."

24 Q. Okay.

25 A. And surrebuttal with respect to pages 14 and 15 --

1 Q. Uh-huh.

2 A. -- I would like to delete from page 14, line 2

3 through line 17 on page 15. The -- Ms. -- Ms. Ross had a --

4 had a good point. And to avoid a longer academic argument, I

5 will simply withdraw that part of my testimony.

6 Q. Okay. Any other corrections?

7 A. No, that's all.

8 Q. If I asked you all those questions today, would

9 your answers be the same or substantially similar?

10 A. Yes, they would.

11 MR. MICHEEL: With that, Your Honor, I'd move the

12 admission of -- and this is the last time she's going up, so

13 perhaps we can admit them now -- Exhibits 207, 208, 209 and

14 210, and I would tender {ter} witness for cross, Your Honor.

15 JUDGE WOODRUFF: Okay. That -- we'll deal with 207

16 first as -- that's been offered for -- into evidence. Any

17 objections to its receipt?

18 (No response.)

19 JUDGE WOODRUFF: Hearing none, it will be received

20 into evidence.

21 (EXHIBIT NO. 207 WAS RECEIVED INTO EVIDENCE.)

22 JUDGE WOODRUFF: For 208, 209 and 210 I show them

23 already being admitted.

24 MR. MICHEEL: Oh, okay. Peachy.

25 JUDGE WOODRUFF: All right. If they're not already

1 there, I do it, then, at this time.

2 For cross-examination, then, beginning with Staff?

3 MR. SCHWARZ: No questions, Your Honor.

4 JUDGE WOODRUFF: All right.

5 Kansas City?

6 MR. COMLEY: No questions. Thank you.

7 JUDGE WOODRUFF: Joplin?

8 MR. ELLINGER: No questions, Your Honor.

9 JUDGE WOODRUFF: Federal Agencies, Jackson County

10 and Midwest Gas have left us.

11 MGE?

12 CROSS-EXAMINATION BY MR. HACK:

13 Q. Good afternoon.

14 A. Good afternoon.

15 Q. Did you play any role in the -- the implementation

16 of the experimental low-income rate down in Joplin?

17 A. Our office did. I --

18 Q. You personally?

19 A. -- did not.

20 Q. Okay.

21 A. I was -- I was working primarily in funds at that

22 time for our office. I -- I did have some discussions with

23 Roger Colton. And so, I guess, you know, to that extent in

24 terms that I had reviewed his testimony in the case that led

25 to the program, I -- I think that I had very limited

1 participation. But I did have, I guess, a bit.

2 Q. So the -- help me understand the source of the
3 funding you're recommending for the PAYS Program.

4 A. The PAYS Program would be funded through a charge
5 that would be recovered through the volumetric rates, and
6 would be included in the Company's revenue requirement.

7 Q. And the -- the -- the -- the out-go, so to speak --
8 the -- the monies the Company contributes towards the program,
9 are those fixed in some way?

10 A. The expenditures on the program I had originally
11 proposed in the neighborhood of 126,000 and something. I
12 could look it up specifically, if that would be helpful.

13 Q. No. I'm -- I'm really looking more for --

14 A. Just internal?

15 Q. -- relationships.

16 A. Okay.

17 Q. Are the Company's expenditures fixed under the
18 program, in your view?

19 A. The Company's expenditures are not necessarily
20 entirely set forth in what I proposed with respect to PAYS.
21 There were issues that would need to be identified in -- in
22 particular, in terms of the cost to the Company and discuss
23 within what I had viewed as a collaborative process.

24 The -- I did, however, try to provide the Company
25 in Data Request responses with the parameters that my first

1 look at -- at this issue would seem to me to be reasonable
2 costs that would need to be recovered.

3 MR. HACK: That's all I have.

4 JUDGE WOODRUFF: Thank you.

5 I do have some questions from the Bench.

6 QUESTIONS BY JUDGE WOODRUFF:

7 Q. And it concerns the -- the non-unanimous
8 stipulation and agreement --

9 A. Okay.

10 Q. -- that was filed earlier this morning.

11 A. Okay.

12 Q. Can you -- can you tell me how the Public Counsel's
13 position has changed in -- in brief?

14 A. I -- I would be happy to -- to try and go through
15 it --

16 Q. If you would, please.

17 A. -- and identify for you the areas where I believe
18 that -- that our position has either remained the same,
19 changed through the course of testimony of the various
20 parties -- and like we had responded to Staff some of the
21 things that we had agreed to incorporated, and some of them
22 that they agreed are incorporated.

23 But I guess just to start at the beginning, 1A says
24 that the funding requirement will -- will be reflected in the
25 residential class revenue requirements and recovered through

1 volumetric rates.

2 I felt that that was something that I had actually
3 supported in my testimony. That was a position from -- in
4 my -- from my perspective, this has not changed from Public
5 Counsel's previous position.

6 1B: This is another component that was
7 specifically included in my recommendation to the Commission
8 from the very beginning of my testimony. So I don't feel like
9 my position has changed on 1B.

10 On 1C -- this is an area where I did -- I did
11 compromise. 1C would provide an additional \$50,000 to the
12 City of Kansas City, as well as another \$50,000 to be
13 distributed through the service territories, which are
14 non-Kansas City and non-Joplin. The -- the idea is to
15 distribute them in the same manner as they current -- as they
16 currently receive weatherization.

17 This piece, I view, is a compromise on the part of
18 our -- of my -- my original testimony and testimony as we
19 moved through.

20 Q. Now, is -- is that compromise supported by the
21 evidence that's already in the record, though? That's my
22 concern.

23 A. I think it -- I think it is in a sense. And I'm
24 not an attorney. I can tell you what I think supports --

25 Q. That's --

1 A. -- this movement.

2 Q. That's what I want.

3 A. Okay. Bob Jackson, testifying on behalf of the
4 City of Kansas City, early on raised a concern in his
5 testimony in response to my testimony saying that the City
6 would prefer to see money spent on weatherization in Kansas
7 City than necessarily to move forward with the PAYS Program.

8 This is a compromise, that although I understand
9 Mr. Jackson may not feel is enough, I feel like this is
10 movement toward that position, and that it does provide
11 additional funding to the Kansas City area in response to
12 his -- his testimony.

13 In addition, there's additional money for the
14 St. Joseph and other areas. One of the points that I have
15 compromised on from my early testimony, which with respect to
16 initiating a program in St. Joe -- I had originally proposed
17 that you would expand the existing program to include St. Joe,
18 you would create additional tiered rates that would apply for
19 that area because the -- the weather is colder.

20 That was rebutted by a number of different parties.
21 And so I feel like this movement -- there was still an
22 additional benefit that will go to that area, but it addresses
23 to some degree concerns raised by the Company who said they
24 were unwilling to move -- to expand the program, and even
25 today, has maintained that expanding the program is something

1 that they were unwilling at this time to do.

2 The Staff had some concerns regarding the
3 preference to continue to look at the Joplin program, as
4 opposed to move to expanding the program.

5 Once again, while -- this is a place where I feel
6 like there was settlement. We conceded a little bit on this
7 point to get other things out of the settlement, so I was
8 willing to do that.

9 There are -- the other thing that this particular
10 point does as a -- in terms of settlement, is it does not
11 require this Commission to determine whether St. Joplin (sic)
12 will get an additional benefit or not.

13 Q. You said St. Joplin.

14 A. I'm sorry. Joplin. I'm very sorry. I mean
15 St. Joseph.

16 Q. All right. Thank you.

17 A. So it eliminates the requirement for the Commission
18 to make that decision.

19 Q. Okay. Were there any other matters in the petition?

20 A. Yes. I'm -- I'm moving on. I'm on page 2 now.

21 Q. All right. Go ahead.

22 A. All right. The current -- or the program in Joplin
23 will be revised under the -- under this settlement. And the
24 specific terms, they're -- the -- the Staff had proposed that
25 weatherization become mandatory. And I had expressed a

1 concern with that for a number of reasons. There were issues
2 of whether customers that were currently on the program would
3 be able to continue, because the old program didn't require
4 weatherization; whether there would be difficulties in having
5 enough money to ensure that there would be enough funds
6 available to do a matching between weatherization and the bill
7 discounts to ensure everybody would get it if you made it
8 mandatory; and some other issues that I had.

9 This -- this point, Part D , and its interaction
10 with later points does a number of things. No. 1, it ensures
11 that the program -- people that were already on the program
12 and successful can continue on the program that they're on;
13 however, if they choose to, they can transition to the new
14 program.

15 Only if they transition to the new program would
16 weatherization be mandatory. They could -- however, they
17 could still get the weatherization if they chose to stay on
18 the old program. So I viewed that as a -- a good compromise
19 between the parties' positions.

20 With respect to making weatherization mandatory for
21 the program, I believe that I am in agreement with -- with
22 Ms. Ross's position that weatherization coupled with a
23 low-income rate is going to produce the optimal results for --
24 for low-income customers.

25 I don't think -- from my perspective, I don't have

1 any disagreement with that. The -- the issue is more just
2 like the technical details of how you get it done. And I
3 think that this Part, D together with later parts of this
4 stipulation, clears up those issues.

5 So that people that are on the program aren't
6 harmed; people that are new to the program will be able to get
7 an even better benefit, because they'll get both pieces, the
8 discount and weatherization.

9 And people that would not have joined the program
10 or no longer qualified because they -- you know, for whatever
11 reason, they won't be denied weatherization money that would
12 have otherwise under other proposals been entirely targeted
13 toward the program. So there wouldn't have been anything
14 else.

15 So I viewed that as -- well, I guess a risk,
16 from -- from my perspective. So that's why I'm okay with this
17 section. And that may be more than you really were looking
18 for, but --

19 Q. No. I appreciate your answers.

20 A. Part E, the bill discount levels. In my original
21 proposal, I had proposed that the range be from zero to
22 100 percent, and I set out discount levels. Those are what
23 has been adopted in the stipulation with one exception.

24 And that exception was that the Staff recommended
25 in their direct testimony -- I believe, it was in their direct

1 testimony -- that the upper -- the upper range of support for
2 support be set at 125 percent of poverty level instead of
3 100 percent of poverty level. I don't -- I don't disagree
4 that there is need there.

5 It also makes it consistent with other forms of
6 support that are provided to low-income customers. For
7 example, LIEA can be funded up to 125 percent. So that means
8 that I view that's administratively, especially if you bring
9 them under the same roof of the community action agency being
10 the administer -- or the administrator for the program, then
11 I'm hoping it'll make their jobs easier.

12 Q. And for purposes of the record, you better explain
13 what a LIEA is.

14 A. I'm sorry. It's Low-Income Energy Assistance --

15 Q. It's a federal program --

16 A. Program.

17 Q. -- I believe?

18 A. Yes. And their -- it is an income-based support to
19 help offset energy costs.

20 Q. Okay.

21 A. Okay. Let's see. The total -- so -- so I had
22 actually in my rebuttal testimony said that I would be
23 satis-- that I could agree to go to 125 percent, provided that
24 funds were available to do so. And so I guess I'll talk about
25 that a little bit more with the next sentence.

1 Q. Okay.

2 A. That is the total dollar amount is set at \$150,000
3 a year for the discounted rate piece of it. That will cover
4 the customers we already talked about, in terms of the zero to
5 125 percent range. And then under this we will now need to
6 bring customers -- let me try again.

7 It will cover customers between zero percent and
8 125 percent in total. I had originally estimated that at the
9 discount levels contained in my testimony the necessary amount
10 would be something like \$137,500 maybe for the discount
11 levels.

12 So this number is bigger. And so I feel like this
13 will allow us to add the additional piece to the upper tier to
14 fund the customers who, under my direct testimony, wouldn't
15 have already been in there.

16 So I don't feel like this is -- I feel like this is
17 consistent with my own testimony --

18 Q. Okay.

19 A. Although I also believe it's consistent with --
20 with aspects of the Staff's testimony.

21 Part F: This has to do with money that's left over
22 from the current program. And we're suggesting in this
23 unanimous stipulation that it be rolled over for use in future
24 years. And I -- I didn't -- I -- I -- I didn't -- I didn't
25 specifically speak to this; however, this would have certainly

1 been, you know, our position that the money should be
2 available to you -- to use for the program or should go back
3 to ratepayers.

4 Q. Okay.

5 A. That's consistent with my testimony.

6 Q. Some of that money -- there was actually a lot more
7 money collected in the -- in the past than was needed, right?

8 A. Yes. There was --

9 Q. And some of that money being donated to -- to who?

10 A. I -- I have the --

11 Q. Is it --

12 A. -- the name.

13 Q. Is it -- is it -- is it the agency that assists
14 low-income people, wasn't it?

15 A. Yes. And it's Mid-America Assistance Coalition.

16 Q. Okay.

17 A. The money was -- it was over 500,000 -- maybe
18 \$570,000 range when the -- and when they stopped collecting
19 the surcharge. And I think that what happened was a piece of
20 the money -- about \$250,000, the parties agreed, would go to
21 the Mid-Missouri -- the coalition.

22 And the rest of the money, I think, that they had
23 kept, intending to ensure that there would be funding
24 available to the existing customers to get them through until
25 new rates go into effect, and it's determined what would

1 happen with the program.

2 Well, it turns out that the participation level
3 has -- has continued to fall in the existing program. And so
4 my understanding is that currently -- and this is based on
5 information that Ms. Ross received from the Company
6 recently -- was that there was about \$280,000 left of that
7 money.

8 And in the calculations that I did to support this
9 non-unanimous stipulation and agreement, I've reflected
10 \$30,000 in hopes that that would be enough to fund the
11 remaining discounts to continue to get people through 'til the
12 new program money kicks in.

13 That leaves 250,000, which I've rolled over. I
14 firmly believe that it is preferable from our office's
15 perspective that this money be used for the purpose or, you
16 know, the -- for the purpose of funding this program on a
17 continuing basis or that money go back to the ratepayers.

18 Q. Okay.

19 A. So --

20 Q. And that -- so this -- your proposal, the -- the
21 new funding would come through a surcharge kind of -- is that
22 how it was in the past?

23 A. The -- in the past there was an eight cent
24 surcharge that funded the program. Weatherization was built
25 into and recovered from rates.

1 Q. Okay.

2 A. Okay. What we have done in this non-unanimous stip
3 would bring them together and recover them all from rates. So
4 there will no -- there won't be any surcharge on the
5 customers' bill. Surcharges -- there are -- there are a
6 number of concerns that -- that I've expressed, obviously, in
7 the phone -- you know, working on phone cases, and I think --
8 primarily in phones regarding why surcharges are -- are not
9 attractive to customers, can be confusing to customers and are
10 unnecessary.

11 So that's something I feel that we gained out of
12 this, and something that's consistent with my testimony.

13 Q. Okay.

14 A. Okay. The -- and also Part F contains
15 one additional -- it -- one additional thing besides rollover.
16 It also con-- contains an agreement that -- let's say there's
17 an imbalance in the use of the funding. Let's say that
18 weatherization money isn't fully utilized in a particular
19 year.

20 I -- one term that Ms. Ross has used in -- in the
21 past is to talk about RAMPA. Initially you're gonna have to
22 spend a lot of money on weatherization, so you may not use all
23 of your bills -- discount money if you set specific amounts.

24 So to maximize the number of participants that
25 could be in the program, it seemed reasonable to have some

1 flexibility to adjust those to ensure that you didn't have
2 one -- money from one pot sitting around not being used when
3 the other was fully depleted.

4 So this will allow the administrators some
5 flex-- if it is the Joplin Area Community Action Agency, some
6 flexibility in the use of the funds.

7 Part G: Joplin Area Community Action Agency, if
8 willing, will administer qualification, education aspects of
9 the program. So -- and -- and we set forth an agreement --
10 and I -- I certainly don't mean to neglect the -- the City of
11 Joplin in this. They actually are a -- a signatory to this.

12 They're -- they're -- they're not mentioned in the
13 opening paragraph, because of the late time at which it was
14 prepared. But they are a signatory, so I wanted to direct you
15 to this. They're on board, too.

16 So the administration, we've set forth \$15,000 per
17 year. In the event that the Joplin Community Action Agency is
18 willing to do this job, the -- it is my understanding -- and
19 Ms. Ross will be able to speak to you about it -- but she's
20 had numerous conversations with them. I have had
21 conversations with them as well.

22 My initial impression is that they would like a
23 number that was a little bit bigger, in terms of
24 administration. I would prefer a number that's smaller, but
25 this is a compromise, and I believe that there are significant

1 reasons to shift the responsibility for administration to a
2 community-based action agency.

3 I think we will see much better results in terms
4 of, No. 1, they already know who those customers are. And you
5 can avoid some of the up-front ex-- up-front expense. So I
6 think we'll get economies of -- of scope from the services
7 that are provided by the community action agencies.

8 The --

9 Q. Like how -- excuse me -- right now MGE is
10 administering the program?

11 A. They -- they in the past administered the program,
12 is my -- is my understanding. You heard the witness earlier
13 discuss that they had to identify customers and they worked
14 with --

15 Q. Family services?

16 A. -- family services to identify those customers.
17 Well, now since the community action agencies administer the
18 weatherization for DNR, the Missouri Department of Natural
19 Resources, they will already be in contact with low-income
20 customers that would be candidates for this discount program.

21 The -- the \$15,000, I can speak to why we can live
22 with that in this case, even though we would prefer that it
23 was lower or I can move on.

24 Q. Why don't you go ahead and move on.

25 A. Okay. Okay. In the event that they will -- they

1 decide that they cannot do it for that amount of money, then
2 there's still merit in continuing a program. The Company is
3 already administering a program so some of the infrastructure
4 is already place for them to provide it. I understand there
5 may be some changes. Still it is a tiered discount program.

6 This settlement does not require them to collect,
7 from our office's perspective, any different information than
8 they already did. So it -- but the one key in Part H, which
9 discusses this is where the funding, if it were going to be
10 the Joplin Community Action Agency, we would give them 15,000.
11 Instead we have reduced it to 10,000 if the Company does it
12 with 5,000 split out for Staff and the Office of the Public
13 Counsel to agree how we should spend it for outreach.

14 I think it's critical to get the issue of
15 incentives correct. You need to get the money to those who
16 have -- who have the incentive the most to see the program
17 succeed.

18 So that would be the preference, and that's what's
19 built into this document.

20 Q. Was there a lack of outreach under the currently
21 existing program?

22 A. I believe that there was.

23 Q. Okay. And is that the reason why the participation
24 in the program was dropping?

25 A. I think there were a few reasons that the

1 participation was likely dropping. No. 1, initiative
2 outreach. No. 2, in my opinion, based on my calculations,
3 the -- the rate discounts were not disaggregated enough; in
4 other words, the people at the lowest income levels were not
5 getting enough, because there were two tiers of discounts.

6 I think four tiers of discounts is -- should be
7 much more effective. There was -- the final problem that --
8 that I -- I see some -- some merit in is tying the
9 requirement of customer participation to participating in a
10 levelized bill pay.

11 The -- this gives more money in the winter months.
12 This is only a five-month support program. The levelized
13 bill, I can -- I can believe that customers would get into a
14 situation where they made it through the winter and now
15 they're going into summer, and they have a gas bill that they
16 can't pay. But it's -- it -- since it was levelized, it's
17 higher than it -- than it would have been in the summer
18 months. And in the summer months if -- if you're heating with
19 gas, you might be able to do without it.

20 So I -- also I think there might have been an issue
21 with the levelized bill that it was difficult for some
22 customers to get on that program, in terms of their -- their
23 their income levels, the agreements they had to make with the
24 Company. That was just an -- an issue that was mentioned at a
25 public hearing. I'm -- I'm not entirely familiar with all of

1 the details, but I think there was a barrier there.

2 Moving on, and I -- I know I'm taking a while on
3 this.

4 We're -- our office is asking that the Company
5 collect the same data. The Staff and OPC will meet with the
6 Company to determine the extent and form of additional data
7 that might be collected -- might need to be collected.

8 I did not necessarily view our office as
9 participating in collecting anything substantially different
10 than was already collected under the MGE program.

11 That was -- there was a lot of good information
12 that was collected, and I think that we would probably be
13 satisfied with that, given our limited resources. If we had
14 more staff, we might be willing to spend more time in meetings
15 talking about what data to exchange.

16 We're in there. It's a safeguard. I don't view
17 this as a driving force on that point.

18 Q. And Staff and Public Counsel can do that without
19 this agreement, right? I mean, you can go in and talk to the
20 Company any time you want to anyway?

21 A. Sure. It's a matter of does this -- is there some
22 hint that we are in agreement that potentially there will be
23 more information that's needed -- or in a certain format
24 that's not already collected.

25 Q. Okay.

1 A. Okay. J: This is a part where I feel like I made
2 a similar concession in my rebuttal testimony. And I
3 shouldn't call it a -- a -- a concession, because it's -- it's
4 more like I don't disagree, as long as there was going to be
5 enough money for the various aspects of the program.

6 And that is that there -- or would be an arrearage
7 incentive reduction. So in order to in-- to give customers an
8 incentive to reduce their arrearages, there would be \$10,000
9 set aside so that customers could have a matching after they'd
10 made so many payments.

11 This was driven by Anne Ross's direct testimony
12 with respect to arrearage forgiveness, something that -- that
13 I -- as I said, I didn't -- we didn't necessarily disagree
14 with, provided that the funding was set aside to do it. We
15 had an issue with the original proposal.

16 So we're okay with this. I don't think it's
17 inconsistent with testimony that's already been filed. I
18 think it's supported by the current record.

19 Q. Okay.

20 A. Okay. K: This is point that I -- I feel like we
21 gained in these negotiations. And that is that weatherization
22 won't be mandatory, that existing customers will be able to
23 transition. I mean, my -- my primary concern was that you not
24 cut off customers from the program that were already on it,
25 and -- or make them ineligible if there weren't enough

1 weatherization dollars to go around.

2 The compromise we came to is that we would in a --
3 in a sense grandfather the existing program, and then allow
4 new customers to go on to the new program where both
5 components, the bill discount and the weatherization would be
6 available jointly.

7 Part L: In the event that the Joplin Area
8 Community Action Agency administers this program, then there
9 would be a requirement for households to participate in
10 training. I view this as a -- a concession, but not a painful
11 one for -- from my perspective.

12 Certainly educational material regarding energy
13 efficiency and budgeting is a -- should be a benefit to
14 customers to have access to. I was concerned, to some degree
15 initially, about how is that requirement going to affect
16 certain customers -- would it be a barrier to certain
17 customers.

18 And ultimately there -- there was an agreement to
19 allow for cases to where the participants wouldn't have to --
20 if the community action agency determined it would be a -- a
21 problem for them.

22 With respect to the PAYS Program: The collecting
23 it through volumetric rates, which is Part A of No. 2, which
24 discusses the PAYS system, that's consistent with our
25 testimony.

1 The collaborative discussed in Part B: I believe
2 that the concept of a collaborative is fully consistent with
3 my direct testimony, and the rest of my testimony that I've
4 filed throughout this case.

5 There was an issue with respect to -- at one point
6 Dr. Warren from the Staff had indicated Staff would be
7 supportive of a PAYS pilot. And I -- I think -- I don't know
8 that we were ever really in -- in substantial disagreement. I
9 mean, I think it's important to look in the -- the possibility
10 the program being effective in the State of Missouri, what
11 measures are going to be -- are going to qualify; in other
12 words, what measures will cover their cost in this program the
13 way it's set up.

14 There are -- there are a lot of things that -- that
15 I do believe we would benefit greatly from being -- bringing
16 in an outside expert to discuss this to do some type of
17 feasibility study in the State of Missouri.

18 I mean, I -- I -- I would feel better about this
19 process if we brought in a consultant or people, you know,
20 that are -- that are -- that have extensive knowledge of this
21 program's success in other states in New Hampshire, in
22 particular.

23 And so I don't view this to be inconsistent. I
24 think it is -- I -- I do think that this represents something
25 a lit bit less than Public Counsel and the Staff had agreed to

1 through the testimony process. Because, you know, we had said
2 we pretty much want to have a collaborative to work out the
3 details of implementing a PAYS Program. The Staff had
4 indicated that they were in support of a pilot PAYS Program.

5 But it -- it is perfectly reasonable, especially
6 for -- for reasons that -- that Dr. Warren might discuss with
7 you later to -- to do this in -- in a -- in a thorough manner,
8 in terms of getting people that -- that know on board and
9 doing it through a collaborative process.

10 So I think this -- this, although it may seem like
11 we reigned in where we were in testimony, I think this is a
12 wise course of action. I had proposed \$126,000 a year more
13 than -- 126,500 and something a year in rebuttal testimony.
14 Dr. Warren said cut it back to 100. In surrebuttal I said I
15 can live with that, so that's where that number came from. So
16 it's supported by the record.

17 Q. Uh-huh.

18 A. C: With respect to Data Request responses that I
19 provided to the Company, and I hope they've had more chance to
20 consider by now, I discuss -- I -- I gave more detail on the
21 program.

22 Ultimately I believe in those Data Requests I
23 discussed that I thought that it would be reasonable to hire a
24 consultant to look into this program to help us work out a
25 program plan, and that I thought that would be in a range -- I

1 think I might have said something like \$50,000 to \$100,000.

2 I've -- in this we're at 70. I think that's
3 consistent by my testimony and supported by the record.

4 D: Once again, I think I've indicated in my
5 testimony in this case that any money that's not used for the
6 particular purpose ought to go back to the ratepayers. So
7 Part D is consistent with my testimony as well.

8 Q. All right. That's the last section.

9 Do you ultimately believe that PAYS might be
10 expanded beyond Kansas City?

11 A. Yes. I -- I -- I think that we need to do a
12 feasibility study. I think there's a good possibility that
13 certain measures -- and when I say measures, I mean like what
14 specific treatments would be done; in other words, would you
15 do air ceiling, would you do insulation, would you do some
16 type of water heater replacement.

17 Earlier I believe Chair Gaw mentioned something
18 like heating -- a heater. Those kind of measures may prove to
19 be cost effective. This program has to be done carefully to
20 ensure that it covers its costs which is a primary goal of
21 the program.

22 So you have to identify what are the savings going
23 to be, and ensure that they can be collected in a level small
24 enough not to exceed the savings the customer gets. That's
25 the goal. The customer saves while they pay off the measure.

1 Q. Okay. Now, is PAYS inconsistent with the
2 low-income rates that you're doing in Joplin or could you --
3 could you do both?

4 A. Absolutely. They are absolutely not inconsistent.
5 You can do both. And, in fact, in my direct testimony I
6 talked substantially about that I thought it was important for
7 us to begin looking for self-sufficient measures; in other
8 words, measures that pay for themselves.

9 I specifically indicated that my view of PAYS --
10 who it can help are moderate and middle-income households. I
11 think there would be a great detriment to try and use a
12 program like PAYS as a substitute for low-income.

13 There -- there are people who are in -- who even if
14 you gave them -- you know, if you did the measure, their bills
15 are already unaffordable so you're setting them up for
16 failure.

17 So we need to have a low-income program that is --
18 and the low-income weatherization that currently exists that
19 is separate and independent from this PAYS Program. The PAYS
20 Program is to attack a different problem. Certainly it's all
21 to improve energy efficiency, but there are certain
22 characteristics that you can attack with each type of program.
23 And that's what the PAYS Program is intended to do.

24 The Staff indicated -- Dr. Warren, in his
25 testimony, that he would -- he would recommend taking off the

1 upper income bound. And in my testimony I indicated that we
2 would be willing to do that.

3 I think there are still -- even if you did that,
4 there would be significant ways to target support to where it
5 best addressed the needs of middle- and -- and moderate-income
6 households.

7 Q. There is an upper limit on the PAYS at this point?

8 A. I had recommended in my direct testimony that it be
9 available for customers with incomes, I believe, of less than
10 60,000 -- household incomes less than \$60,000 a year.
11 Dr. Warren recommended that that be lifted.

12 And that's something that I think it would be
13 reasonable to look at in the collaborative about whether there
14 should be an income level. If the program truly pays for
15 itself, then maybe there's no harm in not having an upper
16 income level; that is, if there is -- there's enough funding
17 to go around.

18 If, on the other hand, you have to make choices
19 about who gets the dollars, then it may be appropriate to have
20 an income cap. This is silent as to whether specifically
21 there would be that income cap or not.

22 I think it would be wholly appropriate, if the
23 Commission wants the collaborative, to specifically address
24 that issue to instruct us to do so.

25 Q. Okay. Now, the -- the money -- as I understand it,

1 the money is -- it goes out to pay for the improvements and
2 I'll say the new furnace or whatever. Where is that money
3 coming from? Is it coming from MGE or is it coming from
4 another source?

5 A. Well, in the -- my understanding of the New
6 Hampshire program is that -- in fact, that the electric --
7 electric cooperative is one of them I'm familiar with. I
8 think they actually put up the -- the seed money, if you will,
9 to -- to start the program.

10 In our proposal in testimony -- my proposal in
11 testimony I recommended that you -- it was very important to
12 change the incentive structure. And this, where does the
13 money come from, is one piece of the incentive structure.

14 If it is the ratepayers that put up the initial
15 money or if the ratepayer money is used to guarantee leveraged
16 funds from financial institutions, then it just -- it makes
17 more sense that the incentives are -- are correctly aligned,
18 if you will.

19 So, in my view, the ratepayers will put up the seed
20 money, the ratepayers stand to gain from the program, as well
21 as vendors and a financial institution who can ultimately make
22 money from -- from participating.

23 It also promotes economic development. You're in--
24 introducing, you know, the private market into this program.
25 I think that's a good thing.

1 JUDGE WOODRUFF: Okay. Well, thank you very
2 much.
3 We'll move on to recross then, beginning with
4 Staff?
5 MR. SCHWARZ: No questions.
6 JUDGE WOODRUFF: Kansas City?
7 MR. COMLEY: No thank you.
8 JUDGE WOODRUFF: Joplin?
9 MR. ELLINGER: Just a couple, Judge.
10 RECROSS-EXAMINATION BY MR. ELLINGER:
11 Q. Good afternoon, Ms. Meisenheimer.
12 A. Good afternoon.
13 Q. I have a couple of quick questions following up on
14 a couple comments you made in response to Judge's questions.
15 Under the proposed non-unanimous stipulation, the
16 community action agency would be administering the program in
17 the Joplin area; is that correct?
18 A. The -- the -- that is our first choice.
19 Q. Okay. And assuming that they do so, the Company,
20 Missouri Gas Energy, would not incur any additional costs
21 under the proposed program in the Joplin area; is that
22 correct?
23 A. Not with respect to the specific activities that
24 would fall under the administrative tasks that -- that the
25 community action agency assumed. There might be some other

1 costs like their current structure set up to provide a certain
2 number of bill discounts, we've increased the number.

3 Q. But much of that infrastructure or programming work
4 has already been done in the existing program; isn't that
5 correct?

6 A. It -- I would expect that since the structure is
7 similar. And also I believe that the -- the witness for the
8 Company earlier today indicated that there wouldn't be
9 subs-- substantial -- well, I -- I better not say that. The
10 transcript will speak to that.

11 Q. The -- the other question I had related to the
12 arrearage incentive program --

13 A. Yes.

14 Q. -- that's being proposed.

15 If that program works, the goal is to get more
16 consumers or customers to pay their bills in full -- or on
17 time and in full; isn't that correct?

18 A. Sure. To promote more timely payment habits and to
19 reduce the amount the money that's currently owed to the
20 Company.

21 Q. And that would ultimately reduce the Company's
22 bad-debt expense and ultimately generate more money to the
23 Company; is that correct?

24 A. To -- to some degree, I believe that it should,
25 yes.

1 MR. ELLINGER: Thank you. No further questions.

2 JUDGE WOODRUFF: All right. Federal Agencies,

3 Jackson County and Missouri Gas are not here.

4 So MGE?

5 RE-CROSS-EXAMINATION BY MR. HACK:

6 Q. The funding that's proposed in this agreement is

7 about \$900,000 a year?

8 A. Yes. I actually put forth some numbers in --

9 Q. I'm just asking for an answer. About \$900,000 a

10 year?

11 A. 896,000, which includes 340,000 that was existing

12 weatherization that pre-- that was previously accounted for in

13 rates.

14 Q. So the funding, you all are proposing, is about

15 \$900,000 a year?

16 A. For the total package. That's not the increased

17 funding.

18 Q. The funding you proposed to include in revenue

19 requirement is \$900,000, roughly, a year, correct?

20 A. The total amount will be roughly \$900,000 a year.

21 Q. And you propose to recover that 100 percent via

22 volumetric rates, correct?

23 A. Yes, that is the proposal.

24 Q. The agreement among certain parties on page 4,

25 paragraph 2D calls for a potential returning of funds to

1 customers. How would that be accomplished, under your
2 impressions?

3 A. Well, I believe that that could be accomplished in
4 a couple of ways. Either a one-time bill credit could be
5 issued to customers, or potentially at the time of the next
6 rate case.

7 So I would expect that it's going to take us a
8 number of months to put together a collaborative, and to
9 conduct some kind of feasibility study. Ultimately we will be
10 back before the Commission with a recommendation to either
11 move forward or one not to move forward. And certainly at
12 that time parties, who choose not to move forward with the
13 program, could propose a specific method for returning the
14 funds to ratepayers.

15 Q. And how would you determine whether any funds
16 remained?

17 A. Well, the initial step of this process is to form a
18 collaborative. And I -- I believe up to \$70,000, as
19 identified in the non-unanimous stipulation, for payment of a
20 consultant. The difference would be the amount that should go
21 back to ratepayers.

22 Q. What I'm asking you is, how you would determine
23 whether there were any funds remaining.

24 A. Well, if we assume that \$200,000 was set aside in
25 rates for that purpose, then that less whatever was spent on

1 the adminis-- on the -- the consultant.

2 Q. Would you want to look at records to determine

3 that?

4 A. Records from the consultant, I would imagine that

5 we would sign a contract in advance.

6 Q. Would you want to look at records of what the

7 Company has perhaps paid the consultant?

8 A. Well, I would expect to hopefully get a chance to

9 look at that contract in advance, as I said.

10 Q. So that's all you would look at to determine if

11 there were any funds remaining?

12 A. The difference between the 2-- \$200,000 in total

13 that we talked about and the consulting fees, that's all I can

14 think about. At this moment that's all that -- that's all I

15 can think of at this moment, yes.

16 Q. Well, do -- do customers today -- whether they're

17 customers or not, do -- do -- do residents of the State of

18 Missouri in Missouri Gas Energy service territory replace

19 storm windows?

20 A. Sure.

21 Q. Do they in-- do they install new furnaces?

22 A. I would certainly imagine they do.

23 Q. Do they insulate their homes?

24 A. I -- I -- once again, I would imagine that they do.

25 Q. Without any intervention from MGE?

1 A. Yes; however, I could speak to information that
2 I've re-- reviewed that indicates that once you implement or
3 that the participation would be higher, the measures that are
4 implemented would be higher under a PAYS Program than -- than
5 not under a PAYS Program.

6 Q. Do you think that -- that customers who have
7 already installed new furnaces, installed new storm windows
8 would appreciate paying for approximately \$900,000 over the
9 course of a year to install new furnaces and new storm windows
10 for other customers?

11 A. They may or they may not. There are some customers
12 that will probably -- that would probably be willing, for
13 various reasons -- perhaps they are a firm believer in energy
14 efficiency, saving natural resources so that they don't mind
15 helping.

16 They may recognize the needs of low-income
17 customers and be willing to pay for that reason to -- well,
18 low-income -- I should say -- you know, recognize that
19 moderate-income households don't have the same resources.
20 They might be willing to pay in that respect.

21 They may have family -- an elderly family member
22 who's on a fixed income that they can certainly recognize the
23 benefit of making a program available to them or others like
24 them.

25 On the other hand, there may be some customers that

1 are -- that would prefer not to pay this rate.

2 Q. And they couldn't opt out, could they?

3 A. No, not under the current -- not under this

4 proposal, no, they couldn't.

5 Q. And they don't -- they don't get a vote on this, do

6 they?

7 A. That's correct, they don't get a vote on this.

8 Q. They do get to vote for taxes, though, do they not?

9 A. They do get to vote for taxes.

10 Q. And they do get to vote for their representatives

11 who -- who pass upon the matters of taxation, do they not?

12 A. Yes.

13 Q. They don't vote for Public Service Commissioners,

14 do they?

15 A. Public Service Commissioners are appointed by those

16 who are appointed by elected officials.

17 Q. Is that a yes or a no?

18 A. I'm not sure. Can you ask it again?

19 Q. Do -- do citizens vote Public Service Commissioners

20 in the State of Missouri into or out of office?

21 A. Not directly, no.

22 Q. I just want to make what is obvious probably even

23 more so.

24 MGE has not signed on to this non-unanimous

25 stipulation agreement, correct?

1 A. No; however, I am encouraged by the testimony that
2 was provided earlier by the MG (sic) witness that indicated
3 that a number of the things that have been built into this
4 program might be less offensive than I had originally thought
5 they would be to MGE. And I would be happy to go into the
6 detail of that if you would like me to.

7 MR. HACK: I would simply ask that everything after
8 no be struck.

9 JUDGE WOODRUFF: Granted.

10 All right. Then redirect?

11 MR. MICHEEL: Just a couple, Your Honor.

12 REDIRECT EXAMINATION BY MR. MICHEEL:

13 Q. Mr. Hack had a discussion with you about the
14 \$900,000.

15 Do you recall that discussion?

16 A. Yes.

17 Q. And that -- the entire amount of the \$900,000, that
18 includes the weatherization program, does it not?

19 A. It includes the current weatherization program, as
20 well as additional weatherization and other programs, yes.

21 Q. So it's not all about the PAYS Program just placing
22 furnaces and windows, is it?

23 A. That is -- that is correct. It -- there is only
24 \$200,000 over a two-year period. And, in fact, given that
25 there is money left from the existing program to the extent

1 that you think perhaps some of the PAYS money should flow from
2 that access money reasonably, then that would also work to
3 offset the amount specifically identified for PAYS.

4 Q. And part of that weatherization, do you know if --
5 if MGE is supporting weatherization in this case?

6 A. They.

7 Q. Or can --

8 A. They are in -- they are supporting increased
9 weath-- increased weatherization that would be paid for by
10 their ratepayers out of their ratepayers' pockets.

11 Q. And again, the ratepayers didn't get to vote on
12 that or anything like that, did they?

13 A. No. And I don't -- I don't believe MGE management
14 is -- is even appointed by elected officials.

15 MR. MICHEEL: Okay. I think that's all I have.
16 Thank you.

17 JUDGE WOODRUFF: Thank you, Ms. Meisenheimer. You
18 can step down.

19 (Witness excused.)

20 JUDGE WOODRUFF: All right. The next witness on
21 the list is Anne Ross for the Staff.

22 If you'll please raise your right hand.

23 MS. ROSS: I've been sworn in once.

24 JUDGE WOODRUFF: Oh, have you?

25 MS. ROSS: Yes.

1 JUDGE WOODRUFF: Okay. Well, then you are still
2 under oath. Thank you.

3 You may inquire.

4 MR. SCHWARZ: Well, I would inquire of the
5 Bench -- I'm not sure which of Ms. Ross's testimonies have
6 been offered before, and it starts -- she started with 835.

7 JUDGE WOODRUFF: Yes. Well, it looks like they've
8 all been offered. It goes through 838.

9 MR. SCHWARZ: Thank you.

10 ANNE ROSS, having been previously sworn, testified as follows:
11 DIRECT EXAMINATION BY MR. SCHWARZ:

12 Q. Well, if all of other testimony has previously been
13 marked, I would ask with respect to your -- your two directs,
14 which have been marked Exhibits 835, 836, your rebuttal
15 and your -- which is 837, and your surrebuttal testimony,
16 which is 838, if I asked you the same questions today, would
17 your answers be substantially the same?

18 A. My answer is yes. The surrebuttal would be my
19 corrected surrebuttal.

20 Q. Corrected surrebuttal. Thank you.

21 And are those an-- the answers true, to the best of
22 your information and belief?

23 A. Yes.

24 Q. Do you have any additional corrections to make?

25 A. No.

1 MR. SCHWARZ: I would then offer Exhibits 835, 836,
2 837 and 838, and tender the witness for cross on the present
3 issues.

4 JUDGE WOODRUFF: All right. 838, the surrebuttal,
5 I think was corrected surrebuttal, so I'm assuming that's
6 replacing the original surrebuttal?

7 MR. SCHWARZ: Yes.

8 JUDGE WOODRUFF: Okay. 835, 36, 37 and 38 have
9 been offered into evidence. Are there any objections to their
10 receipt?

11 (No response.)

12 JUDGE WOODRUFF: Hearing none, they will be
13 received into evidence.

14 (EXHIBIT NOS. 835 THROUGH 838 WERE RECEIVED INTO
15 EVIDENCE.)

16 JUDGE WOODRUFF: And for cross-examination,
17 beginning with Public Counsel?

18 MR. MICHEEL: No questions, Your Honor.

19 JUDGE WOODRUFF: Kansas City? Is he still there?
20 (No response.)

21 JUDGE WOODRUFF: City of Joplin?

22 MR. ELLINGER: No questions, Your Honor.

23 JUDGE WOODRUFF: Federal Agencies, Jackson County
24 and Midwest Gas are not here.

25 So MGE?

1 CROSS-EXAMINATION BY MR. HACK:

2 Q. Hello.

3 A. Mr. Hack.

4 Q. Do you know whether the Commission has ever ordered

5 any sort of low-income program for an energy utility absent

6 the -- the subject energy utilities' agreement to

7 participating in that program?

8 A. I don't know.

9 Q. Would you agree that in most instance -- well, let

10 me -- let's take that back.

11 How long have you worked at the Public Service

12 Commission, Ms. Ross?

13 A. 15 years.

14 Q. And is it fair to say that you've spent most of

15 your time participating in -- in energy utility cases?

16 A. Yes.

17 Q. And do you know how long the subject of low-income

18 programs has -- has really come up in energy utility cases

19 here in the -- in the Missouri Commission?

20 A. I know that weatherization programs have been

21 around for, I'll say, 10 years. To my knowledge, the first

22 energy assistance, as in bill-paying assistance, program was

23 the MGE program that came out of the 2001 case.

24 Q. And that program was -- was agreed to by MGE,

25 correct?

1 A. It's my understanding, yes.

2 Q. Are there any other ongoing low-income programs in
3 the state?

4 A. Yes. AmerenUE -- well, we're -- we're setting that
5 one up, but there will be one for AmerenUE. And there was one
6 agreed to in the Aquila gas settlement as well. And it's
7 being set up at this time.

8 Q. Let's talk about the Ameren program. Was that
9 program, which I guess is currently in development,
10 established by agreement among the parties including AmerenUE?

11 A. Yes.

12 Q. The Aquila program, was that similarly set up upon
13 the agreement of Aquila?

14 A. Yes.

15 Q. Does -- does Empire have a similar program?

16 A. Yes, Empire Electric has a similar program in the
17 Joplin area.

18 Q. And was -- was that set up by agreement of Empire?

19 A. I do not know. I didn't work on that case.

20 Q. Okay. Does Laclede have a low-income rate program?

21 A. No, not yet, they don't.

22 Q. Does Laclede have low-income customers in their
23 service territory?

24 A. Yes, they do.

25 Q. Let's talk about funding a little bit. The ELIR

1 that -- that was established in the last rate case -- do you
2 recall what the source of the funding for that program?

3 A. Yes. That came from an eight cent surcharge
4 challenge on residential billing --

5 Q. So that --

6 A. -- eight cents per month.

7 Q. And -- and so that was a monthly rate element?

8 A. Yes.

9 Q. And would you agree that a monthly rate element
10 produces a considerably more certain revenue stream to the
11 company than a volumetric rate element?

12 A. Yes.

13 Q. Now, under the -- the non-unanimous stipulation
14 related to the low-income programs that -- that was filed
15 today, the Staff's a signatory, correct?

16 A. Yes.

17 Q. And -- and you're familiar with the development of
18 that -- that document, correct?

19 A. Yes.

20 Q. Would it be your expectation that if the Commission
21 adopted the terms of that, that MGE would spend approximately
22 \$896,000 a year on those programs?

23 A. I'm not -- could you rephrase the question?

24 Q. Would it be your understanding if the Commission
25 adopted the terms of the stipulation -- the non-unanimous

1 stipulation that's been filed today -- are you with me so far?

2 A. Yes.

3 Q. That MGE would expend approximately \$896,000 a year

4 to comply with that order?

5 A. From ratepayer -- or from shareholder funds?

6 Q. I don't care what the source is. I'm asking you,

7 what would we spend?

8 A. Yes.

9 Q. Were you involved in the -- in the

10 implementation -- the initial implementation of the -- the

11 experimental low-income rate down in Joplin?

12 A. No.

13 MR. HACK: Okay. Thank you.

14 JUDGE WOODRUFF: All right. Come up to questions

15 from the Bench.

16 QUESTIONS BY JUDGE WOODRUFF:

17 Q. You were here during Ms. Meisenheimer's testimony,

18 were you not?

19 A. Yes.

20 Q. Okay. So you heard what she had to say about

21 the -- the stipulation agreement that Staff and Public Counsel

22 and Joplin have signed?

23 A. Yes.

24 Q. All right. Do you have anything that you want to

25 add from Staff's perspective?

1 A. I would -- I don't have a -- a copy of the
2 stipulation agreement. Let me look at that, and I --
3 Q. All right.
4 A. -- see if I do.
5 She did such a good job that I haven't found
6 anything yet. Well, I -- I did want to speak to, I -- I
7 think, it is 1I on page 3.
8 Ms. Meisenheimer indicated that OPC might not need
9 to meet with the Company on -- on the information needs, that
10 came from Staff. We want to look at the effect of the program
11 on the Company's collection expenses as much as possible,
12 perhaps their disconnect expenses.
13 We'd like the look at the level -- level of
14 uncollectibles, and that's something that our accounting Staff
15 would be involved in, in conversations with the Company.
16 Q. Okay. Anything else?
17 A. I'm just about through it.
18 No, I don't see anything else.
19 Q. All right. Now, I understand that Public Counsel
20 and Staff are recommending that these programs be funded
21 through an additional revenue to be collected through the
22 volumetric rates; is that right?
23 A. Yes, we do.
24 Q. The Company seems to be concerned about that, I --
25 I assume because of concerns about whether -- so forth whether

1 or not they would be actually to able to collect that money
2 through the volumetric rates. Would there be any problem
3 including it on the customer charges section of their revenues
4 or perhaps as a surcharge?

5 A. If -- if that's what the Commission orders, then,
6 no, we have no problem with that.

7 Q. That way the Company would be more sure of getting
8 the revenue?

9 A. Yes.

10 JUDGE WOODRUFF: Okay. That's all the questions I
11 have. We'll go then to recross.

12 Public Counsel?

13 MR. MICHEEL: Yes, Your Honor.

14 RECROSS-EXAMINATION BY MR. MICHEEL:

15 Q. Do you know if the Office of the Public Counsel
16 would agree to a surcharge?

17 A. I don't think that they would.

18 Q. And if -- if it were to be done like that, it would
19 probably have to be done, do you know, through -- perhaps an
20 adder to the customer charge or something like that?

21 A. That's the way it was done the last time.

22 MR. MICHEEL: I have no further questions.

23 JUDGE WOODRUFF: All right. Kansas City?

24 MR. COMLEY: Thank you. No, Judge.

25 JUDGE WOODRUFF: Joplin?

1 MR. ELLINGER: No questions, Judge.
2 JUDGE WOODRUFF: Federal Agencies, Jackson County
3 and Midwest Gas are not here.
4 So MGE?
5 MR. HACK: No, thank you.
6 JUDGE WOODRUFF: All right.
7 Redirect?
8 MR. SCHWARZ: Nothing. Thank you.
9 JUDGE WOODRUFF: All right. Ms. Ross, you can step
10 down and you are excused.
11 (Witness excused.)
12 JUDGE WOODRUFF: Henry Warren.
13 I think this is your first time on the stand,
14 isn't it, Mr. Warren?
15 MR. WARREN: Yes, it is.
16 JUDGE WOODRUFF: And you also have the honor of
17 being the last witness on the stand.
18 MR. WARREN: Yes.
19 JUDGE WOODRUFF: Please raise your right hand.
20 (Witness sworn.)
21 JUDGE WOODRUFF: You may inquire.
22 HENRY WARREN testified as follows:
23 DIRECT EXAMINATION BY MR. SCHWARZ:
24 Q. Will you state your name for the record, please.
25 A. My name is Henry Warren.

1 Q. And by whom are you employed?

2 A. The Missouri Public Service Commission.

3 Q. In what capacity?

4 A. I'm a regulatory economist in the energy

5 department.

6 Q. Thank you.

7 And did you cause to be pre-filed in this case

8 rebuttal testimony, which has been identified as Exhibit 839,

9 and surrebuttal testimony which has been identified as

10 Exhibit 840?

11 A. Yes.

12 MR. SCHWARZ: I would point out that on

13 the -- well, on the exhibit list I have, it's indicated that

14 he filed direct, but it's really rebuttal testimony.

15 JUDGE WOODRUFF: Okay. I'll make that note.

16 BY MR. SCHWARZ:

17 Q. Do you have any corrections to make?

18 A. No, I don't.

19 Q. If I asked you the same questions today, would your

20 answers be the same?

21 A. Yes.

22 Q. And are those answers true, to your -- to the best

23 of your information and belief?

24 A. Yes, they are.

25 MR. SCHWARZ: I would offer Exhibits 839, 840, and

1 tender the witness for cross-examination.

2 JUDGE WOODRUFF: All right. Exhibits 839 and 840,
3 Warren rebuttal and surrebuttal have been offered into
4 evidence. Are there any objections to their receipt?

5 (No response.)

6 JUDGE WOODRUFF: Hearing none, they will be
7 received into evidence.

8 (EXHIBIT NOS. 839 AND 840 WERE RECEIVED INTO
9 EVIDENCE.)

10 JUDGE WOODRUFF: And for cross-examination, again,
11 we begin with Public Counsel?

12 MR. MICHEEL: I have no questions for Dr. Warren
13 today.

14 JUDGE WOODRUFF: Kansas City?

15 MR. COMLEY: No questions. Thank you.

16 JUDGE WOODRUFF: Joplin?

17 MR. ELLINGER: No questions, Judge.

18 JUDGE WOODRUFF: Federal Agencies, Jackson County
19 and Midwest Gas are not here.

20 MGE?

21 CROSS-EXAMINATION BY MR. HACK:

22 Q. Good afternoon, Dr. Warren.

23 A. Good afternoon.

24 Q. Did you participate on behalf of the Staff in the
25 implementation of the experimental low-income rate down in

1 Joplin?

2 A. Yes, I did, as a result of the previous case.

3 Q. And, if you could, how would you characterize the
4 level of MGE's involvement in that process?

5 A. They were very involved in the -- in the process,
6 and the -- the colla-- there was kind of a -- there was a
7 collaborative process to determine to write the tariff that
8 resulted in the implementation of the program and meetings
9 with Staff, Public and the -- the Department of Social
10 Services, Division of Family Services.

11 So -- so there was a -- quite a bit of involvement
12 of MGE Staff in those types of meetings.

13 Q. And have MGE's staff and personnel been cooperative
14 throughout that process, in your view?

15 A. Yes.

16 MR. HACK: Thank you.

17 JUDGE WOODRUFF: Thank you.

18 Questions from the Bench?

19 QUESTIONS BY JUDGE WOODRUFF:

20 Q. Let me just ask you if there's anything that you
21 want to add on behalf of Staff regarding the stipulation and
22 agreement that was filed between Public Counsel and Joplin and
23 Staff on these issues?

24 A. No, I have nothing in addition to add. Thank you.

25 JUDGE WOODRUFF: Does anyone want to recross based

1 on that question?

2 (No response.)

3 JUDGE WOODRUFF: Any redirect?

4 MR. SCHWARZ: No. I'm sorry. No.

5 JUDGE WOODRUFF: Okay. Then, Mr. Warren, you can

6 step down.

7 THE WITNESS: Thank you.

8 (Witness excused.)

9 MR. SCHWARZ: Now, I do have some housekeeping

10 matters I'd like to --

11 JUDGE WOODRUFF: Yes.

12 MR. SCHWARZ: -- address at this time. There are a

13 number of Staff witnesses who pre-filed testimony whose issues

14 settled who did not take the stand.

15 And I would refer to a James Gray which had direct

16 testimony, which has been pre-marked 811; Jolie Mathis, who

17 filed direct 823, rebuttal -- or surrebuttal 824; and Dennis

18 Patterson, who filed direct, 831, rebuttal, 832, and

19 surrebuttal, 833.

20 And I would like to offer those into the record at

21 this time.

22 JUDGE WOODRUFF: Those witnesses were all part of

23 the stipulation and agreement that was filed earlier?

24 MR. SCHWARZ: Their -- their testimony went to

25 settled issues, yes.

1 JUDGE WOODRUFF: Well, issues that were settled in
2 the non-unanimous stipulation and agreement?

3 MR. HACK: Some are and some may not be.

4 JUDGE WOODRUFF: I -- I notice there are some like
5 Lonergan that you didn't -- and Preston that you didn't
6 mention.

7 MR. SCHWARZ: That's -- that what this stack --

8 JUDGE WOODRUFF: That's --

9 MR. SCHWARZ: -- that's this stack (indicating).

10 JUDGE WOODRUFF: Okay. That's coming next then?

11 MR. SCHWARZ: Yes.

12 JUDGE WOODRUFF: Okay.

13 MR. SCHWARZ: But these -- these were settled.

14 MR. HACK: So those are -- those are the ones that
15 are the subject, and the names are actually mentioned in
16 paragraph 13 of the -- the revenue --

17 MR. SCHWARZ: Jim Gray --

18 MR. HACK: -- requirements.

19 MR. SCHWARZ: Jim Gray on weather normalization,
20 Ms. Mathis on depreciation and Dennis Patterson on weather
21 normalization.

22 JUDGE WOODRUFF: All right.

23 MR. HACK: Your Honor, the only -- the only point I
24 would make is that the -- you know, that the document speaks
25 to that. And -- and we just want to make it clear, for the

1 record, that -- that we have not acquiesced or waived any
2 objections that we might have otherwise made with respect to
3 these testimonies.

4 We just want to record to reflect that and -- and
5 that's enough said on that point.

6 JUDGE WOODRUFF: Well, what -- what exactly does
7 the document -- the agreement say?

8 MR. HACK: It says in -- in a nutshell that -- that
9 this testimony may be received into the record. And there's
10 a -- there are other witnesses listed as well.

11 JUDGE WOODRUFF: Okay.

12 MR. HACK: But that no signatory -- and this is the
13 last sentence of paragraph 13 -- shall be deemed to have
14 acquiesced any such testimony nor shall any signatory be
15 presumed to have waived any objection that might have
16 otherwise been made to such testimony.

17 JUDGE WOODRUFF: All right. Fair enough.

18 There was one name mentioned on here, I believe,
19 that you did not mention. That would be Kim Elvington, I
20 noticed.

21 MR. SCHWARZ: I have her testimony here, which has
22 been marked as 810. I -- okay. This is -- yeah, she -- it's
23 revenue --

24 JUDGE WOODRUFF: Okay.

25 MR. SCHWARZ: -- testimony.

1 JUDGE WOODRUFF: All right. Let's go through them.
2 810, which is the direct of Kim Elvington, has been offered.
3 Anybody object to that?
4 (No response.)
5 JUDGE WOODRUFF: Hearing none, it will be received
6 into evidence.
7 (EXHIBIT NO. 810 WAS RECEIVED INTO EVIDENCE.)
8 JUDGE WOODRUFF: 811 is Jim Gray's direct. Does
9 anyone object to the receipt of that document?
10 (No response.)
11 JUDGE WOODRUFF: Hearing none, it will be received
12 into evidence.
13 (EXHIBIT NO. 811 WAS RECEIVED INTO EVIDENCE.)
14 MR. SCHWARZ: 823 and 824.
15 JUDGE WOODRUFF: Yeah, 823, 824 are Mathis direct
16 and surrebuttal -- or excuse me -- Mathis rebuttal. Any
17 objections to its receipt?
18 (No response.)
19 JUDGE WOODRUFF: Hearing none, they will be
20 received into evidence.
21 (EXHIBIT NOS. 823 AND 824 WERE RECEIVED INTO
22 EVIDENCE.)
23 JUDGE WOODRUFF: 831, 832 and 833 are the testimony
24 of Mr. Patterson. Any objections to their receipt?
25 (No response.)

1 JUDGE WOODRUFF: Hearing none, they will be
2 received into evidence.

3 (EXHIBIT NOS. 831 THROUGH 833 WERE RECEIVED INTO
4 EVIDENCE.)

5 JUDGE WOODRUFF: And I think that that was all of
6 them that have not otherwise come in.

7 MR. SCHWARZ: I --

8 JUDGE WOODRUFF: And your next stack?

9 MR. SCHWARZ: Well, the next stack -- and I wasn't
10 here for much of the hearings last week. I have left in my
11 packet the direct of Dana Eaves, the surrebuttal of Dana
12 Eaves, the direct of Leslie Lonergan, the direct of Lesley
13 Preston and Staff's accounting schedules.

14 MR. FRANSON: I -- Your Honor, if I may, it is my
15 recollection that Mr. Eaves did, in fact, testify at one point
16 so his may have --

17 JUDGE WOODRUFF: He did.

18 MR. FRANSON: His may have been already offered;
19 however, the --

20 JUDGE WOODRUFF: They've been offered and received.

21 MR. FRANSON: Okay. Ms. Lonergan --

22 MR. SCHWARZ: If I may --

23 MR. FRANSON: Okay.

24 MR. SCHWARZ: Just a moment. So I will give these
25 copies to the court reporter, so I'm sure the court reporter

1 has a copy of them.

2 JUDGE WOODRUFF: Please do. And I -- that was a
3 request from one of the court reporters a few days ago to make
4 sure that everyone has, in fact, given her the copies that
5 they needed to give.

6 I don't know, so I'll leave it to you to make sure
7 you don't anything that you don't think you should have.

8 MR. SCHWARZ: Well, let -- let me see if we can cut
9 through the -- cut the Gordian knot this way. I would provide
10 the court reporter with copies of Ms. Lonergan's, Ms. -- and
11 Ms. Preston's testimony and the Staff accounting schedules, if
12 they have not already been admitted.

13 JUDGE WOODRUFF: No, they've not been admitted and,
14 in fact, they've not been offered.

15 MR. SCHWARZ: Offered.

16 JUDGE WOODRUFF: So why don't you offer them first.

17 MR. SCHWARZ: Well, I'll offer them.

18 JUDGE WOODRUFF: What is -- first of all, let's
19 deals with Lonergan. What was her issue?

20 MR. SCHWARZ: Customer and government relations
21 department costs, service line and replacement program and
22 accounting authority orders.

23 JUDGE WOODRUFF: And those issues were not actually
24 presented to the Commission; is that right -- or what -- what
25 happened to those issues?

1 MR. HACK: Those issues were never identified as
2 "issues." They were resolved prior to the filing of any --
3 any issues list. So -- so --

4 JUDGE WOODRUFF: Okay. So then this was drafted
5 and filed -- filed back in April, right?

6 MR. SCHWARZ: Yes.

7 MR. HACK: Right.

8 JUDGE WOODRUFF: Okay. Does anyone object to those
9 documents coming in?

10 Mr. Hack, do you have an objection to these
11 documents coming in?

12 MR. HACK: You know, Your Honor, I -- I don't, but
13 I -- I would simply like to, again, state for the record
14 that -- I mean, it -- these issues are not issues. And --
15 and -- but we don't want to be presumed to have waived any
16 objections that might otherwise have been made, presuming they
17 were issues. So that's all I want to say.

18 JUDGE WOODRUFF: If they're not issues, why do they
19 need to be in the record?

20 MR. HACK: I -- I think that's a --

21 MR. SCHWARZ: No. No. I just wanted to make -- I
22 want to make clear that I didn't -- I didn't -- don't know
23 what has proceeded.

24 JUDGE WOODRUFF: I understand.

25 MR. SCHWARZ: I don't know. And I didn't want the

1 court reporter to end up with not having copies of things that
2 have been referenced in the record.

3 JUDGE WOODRUFF: Okay. Since apparently they're
4 not issues, I don't see any reason why they should be in the
5 record. Certainly the Commission doesn't need any extra light
6 reading material.

7 Mr. Franson?

8 MR. FRANSON: The accounting schedules need to be
9 in those and offered.

10 JUDGE WOODRUFF: We'll deal with those -- we'll
11 deal with those in a minute.

12 All right. I'll presume that 822 and 834, which
13 are Lonergan and Preston will not be admitted.

14 MR. SCHWARZ: They won't be offered. I'll withdraw
15 the offer.

16 JUDGE WOODRUFF: All right. Okay.

17 All right. And we still have the Staff accounting
18 schedules.

19 MR. SCHWARZ: I would offer those. I think that
20 the Commiss-- although the -- the numbers have changed, the
21 Commissioners might still find the layout of the issues
22 helpful.

23 MR. MICHEEL: What number is that?

24 JUDGE WOODRUFF: That is --

25 MR. SCHWARZ: 841.

1 JUDGE WOODRUFF: That's 841. And, in fact, it was
2 offered before and I deferred a ruling on it.

3 MGE have any objection to it?

4 MR. HACK: Again, it's -- what we believe needs to
5 be done is that -- that the -- that the Staff and MGE both
6 need to run their final revenue requirement analyses and put
7 those into the record, based upon all of the agreements that
8 have been reached so that the Commission knows not what --
9 what the -- the ultimate recommendations at the conclusion of
10 the hearing are.

11 I do not have an objection to 841, but -- but I
12 think it's -- it -- it's not -- it's not really reflective of
13 what -- what the positions are. So it could come in, but I
14 think we -- we need to have an additional exhibit from both
15 MGE and the Staff that reflect our current revenue
16 requirement.

17 JUDGE WOODRUFF: Yes, Mr. Franson?

18 MR. FRANSON: Yes. Your Honor, first of all, on
19 841 that was, of course, earlier. One thing that I have
20 filed, and you may not have seen, though you may hopefully got
21 an EFUS notice -- today within the last 30 minutes or hour,
22 we -- Staff filed its latest reconciliation.

23 And actually I was going to offer that as, I
24 believe, Exhibit 855 just -- just off the press. And that
25 shows Staff's view of the revenue requirement differences with

1 the exception of -- tariff item issues, late payment and
2 miscellaneous service charges are not included, and there's a
3 note to that effect.

4 The other thing -- the equivalent of the Staff
5 accounting schedules would be a new EMS run, which we have
6 actually done, but not necessarily yet to file as an exhibit.
7 And maybe we need a set time where the Company and the Staff
8 would, in fact, file what we believe to be our final positions
9 sometime in the near future.

10 JUDGE WOODRUFF: Well, I think that would probably
11 be helpful. Now, as I understand it, the Staff accounting
12 schedules that were filed before the start of the hearing are
13 really not gonna be very relevant to anything, and they might
14 be more confusing than helpful. So I'm -- I'm not gonna admit
15 those into evidence.

16 Do we want to reserve a -- a number for a
17 late-filed exhibit or something to get these -- get something
18 from MGE and Staff?

19 MR. HACK: I -- I think that makes sense, Your
20 Honor. Probably for -- for MGE we would need one late-filed
21 number, I think, probably 48; the Staff may need one for the
22 accounting schedules and one for the reconciliation.

23 MR. FRANSON: Yes, I think we will, Your Honor. I
24 would 855 and 56 for Staff.

25 JUDGE WOODRUFF: Okay. Let's -- let's deal -- deal

1 with MGE first.

2 MR. FRANSON: Okay.

3 JUDGE WOODRUFF: I show your next number as being

4 47.

5 MR. FRANSON: So do I.

6 MR. HACK: If -- if I can maybe approach?

7 JUDGE WOODRUFF: Yes.

8 MR. HACK: I have three pieces of testimony that we

9 have not yet offered that are the subject of -- of settled

10 items, the rebuttal testimony of James Warren, which has been

11 marked as Exhibit 20; the rebuttal testimony of Tom Sullivan,

12 which is Exhibit 21; and then the supplemental rebuttal

13 testimony of Tom Sullivan, which I have taken the liberty of

14 marking as 47.

15 JUDGE WOODRUFF: Oh, okay.

16 MR. HACK: And Mr. Warren's testimony deals with

17 alternative minimum tax, and Mr. Sullivan's testimony deals

18 with depreciation, which were topics of the earlier stip

19 presentation today.

20 JUDGE WOODRUFF: All right.

21 MR. HACK: We would offer those into the record,

22 subject to the -- to the understanding set out in the

23 stipulation that no parties have deemed to have acquiesced

24 anything.

25 JUDGE WOODRUFF: Right.

1 And these are all covered in the stipulation?

2 MR. HACK: Yes, they are.

3 JUDGE WOODRUFF: All right. Exhibits 20, 21, 47

4 have been offered into evidence. Are there any objections to

5 their receipt?

6 (No response.)

7 JUDGE WOODRUFF: Hearing none, they will be

8 received into evidence.

9 (EXHIBIT NOS. 20, 21 AND 47 WERE RECEIVED INTO

10 EVIDENCE.)

11 JUDGE WOODRUFF: All right. Then to go back, we'll

12 then reserve 48 for the late-filed -- what do you want to call

13 it, the reconciliation from MGE?

14 MR. HACK: It'll be revenue requirement -- revenue

15 deficiency schedules.

16 JUDGE WOODRUFF: And when will you file that?

17 MR. HACK: I think we can submit it -- Mr. Noack,

18 I'm looking at you.

19 MR. NOACK: I'm sorry.

20 MR. HACK: Probably Wednesday?

21 JUDGE WOODRUFF: That'll be fine.

22 MR. HACK: Revenue deficiencies?

23 MR. NOACK: Yes, that'd be fine -- or earlier than

24 that.

25 JUDGE WOODRUFF: It will be the 10th, I believe --

1 or next Wednesday will be July 7th. Okay. 7/7.

2 All right. Moving back to Staff then, you needed

3 two -- two numbers reserved; is that right?

4 MR. FRANSON: Yes, Your Honor. One will be the

5 Staff reconciliation, which we actually filed today, but that

6 may or may not be the same document. That was done because we

7 had -- we had mentioned to the other parties we would file

8 that by today. So I won't offer that at this time.

9 The other one will be what is commonly called our

10 EMS run, but that's essentially our accounting schedules. And

11 we can -- we can file that at the same time.

12 Next Wednesday would be fine, Your Honor.

13 JUDGE WOODRUFF: All right. I'll call 856 your

14 accounting schedules then.

15 MR. FRANSON: Thank you.

16 JUDGE WOODRUFF: All right. Any other matters that

17 the parties want to bring up?

18 MR. HACK: We appreciate your patience.

19 JUDGE WOODRUFF: Okay. I -- I -- I'm going through

20 the schedule of exhibits to see if there's anything else that

21 I don't show as being admitted.

22 MR. HACK: We did have a question on 27.

23 JUDGE WOODRUFF: All right. What was your

24 question?

25 MR. HACK: Had it been offered and admitted?

1 JUDGE WOODRUFF: I show it as offered and admitted,
2 yes. That was the chart that you were using during your
3 opening?
4 MR. HACK: Correct.
5 JUDGE WOODRUFF: Okay. It seems like a lifetime
6 ago.
7 MR. HACK: It does.
8 MR. FRANSON: That was a long time ago.
9 JUDGE WOODRUFF: Let's see. Well, there was
10 No. 611, which was offered by Midwest Gas Users Association.
11 It was a normal monthly heating degree days -- it was some
12 sort of chart, I believe.
13 I show it as not yet offered and they are gone, so
14 I -- I guess they chose not to offer it.
15 MR. HACK: Couldn't be authenticated, as I recall.
16 JUDGE WOODRUFF: Okay.
17 MR. MICHEEL: That's correct.
18 JUDGE WOODRUFF: I see Exhibit 850-HC, which is the
19 response to Data Request 0183. I show it as never being
20 offered; is that what you show as well?
21 MR. FRANSON: Yes, Your Honor.
22 JUDGE WOODRUFF: Did you wish to offer it as a
23 Staff exhibit?
24 MR. FRANSON: We offer it at this time, Your Honor.
25 JUDGE WOODRUFF: All right.

1 MR. FRANSON: It sounds good. I don't know. It
2 was 850-HC. It was -- as I recall, it was a DR response.
3 Mr. Hyneman was -- was the sponsoring witness. That's really
4 all I recall about it.

5 JUDGE WOODRUFF: All right. I know it was last
6 week sometime. I --

7 MR. HACK: I need -- I -- I need to at least see it
8 before I could say whether I had an objection or not.

9 MR. MICHEEL: Here you -- here you go, Mr. Hack
10 (indicating).

11 MR. HACK: I don't have an objection to this.

12 JUDGE WOODRUFF: All right. Thank you.

13 850-HC will be admitted into evidence.

14 (EXHIBIT NO. 850-HC WAS RECEIVED INTO EVIDENCE.)

15 JUDGE WOODRUFF: And that's all I see.

16 Is there anything else anyone wants to bring up?

17 MR. FRANSON: Your Honor, could I -- after we're
18 done here, get a copy of your exhibit list just for
19 completeness?

20 JUDGE WOODRUFF: Sure.

21 MR. FRANSON: Other than that, I don't think we've
22 got anything else.

23 JUDGE WOODRUFF: Okay. With that, then, we are
24 adjourned.

25 WHEREUPON, the hearing of this case was concluded.

1 I N D E X

2 LOW-INCOME PROPOSALS

3	Opening Statement by Mr. Hack	2254
	Opening Statement by Mr. Schwarz	2255
4	Opening Statement by Mr. Micheel	2257
	Opening Statement by Mr. Comley	2259
5	Opening Statement by Mr. Ellinger	2262
6	MGE'S EVIDENCE:	
	MICHAEL NOACK:	
7	Cross-Examination by Mr. Ellinger	2268
	Cross-Examination by Mr. Conrad	2274
8	Cross-Examination by Mr. Schwarz	2288
	Questions by Commissioner Davis	2300
9	Questions by Commissioner Gaw	2362
	Questions by Commissioner Murray	2374
10	Further Questions by Commissioner Davis	2375
	Recross-Examination by Mr. Comley	2377
11	Recross-Examination by Mr. Micheel	2380
	Redirect Examination by Mr. Hack	2382
12		
	CITY OF KANSAS CITY'S EVIDENCE:	
13	ROBERT JACKSON:	
	Direct Examination by Mr. Comley	2391
14	Cross-Examination by Mr. Hack	2392
	Cross-Examination by Mr. Schwarz	2393
15		
	OFFICE OF PUBLIC COUNSEL'S EVIDENCE:	
16	BARBARA MEISENHEIMER:	
	Direct Examination by Mr. Micheel	2395
17	Cross-Examination by Mr. Hack	2397
	Questions by Judge Woodruff	2399
18	Recross-Examination by Mr. Ellinger	2423
	Recross-Examination by Mr. Hack	2425
19	Redirect Examination by Mr. Micheel	2430
20	STAFF'S EVIDENCE:	
	ANNE ROSS:	
21	Direct Examination by Mr. Schwarz	2432
	Cross-Examination by Mr. Hack	2434
22	Questions by Judge Woodruff	2437
	Recross-Examination by Mr. Micheel	2439
23		
	HENRY WARREN:	
24	Direct Examination by Mr. Schwarz	2440
	Cross-Examination by Mr. Hack	2442
25	Questions by Judge Woodruff	2443

1 I N D E X (CONTINUED)

2 NON-UNANIMOUS STIPULATION AND AGREEMENT

3

Questions by Commissioner Clayton	2301
4 Questions by Commissioner Murray	2309
Questions by Commissioner Davis	2323
5 Questions by Commissioner Appling	2341
Questions by Commissioner Gaw	2344
6 Further Questions by Commissioner Murray	2357

7

8

9 E X H I B I T S I N D E X

10	MARKED	RECEIVED
11 Exhibit No. 8	*	2268
12 Direct testimony by Michael Noack		
13 Exhibit No. 9	*	2268
14 Updated direct testimony by Michael Noack		
15 Exhibit No. 10	*	2268
16 Rebuttal testimony by Michael Noack		
17 Exhibit No. 11	*	2268
18 Surrebuttal testimony by Michael Noack		
19 Exhibit No. 20	*	2455
20 Rebuttal testimony by James Warren		
21 Exhibit No. 21	*	2455
22 Rebuttal testimony by Thomas Sullivan		
23 Exhibit No. 47	*	2455
24 Supplemental rebuttal testimony by Thomas Sullivan		

25

1	E X H I B I T S I N D E X (CONTINUED)		
2		MARKED	RECEIVED
3	Exhibit No. 207	*	2396
4	Direct testimony by Barbara Meisenheimer		
5	Exhibit No. 300	*	2392
6	Direct testimony by Robert Jackson		
7	Exhibit No. 301	*	2392
8	Rebuttal testimony by Robert Jackson		
9	Exhibit No. 613	2274	2275
10	MGE's response to DR0017		
11	Exhibit No. 614	2275	2276
12	MGE's response to DR0030		
13	Exhibit No. 615	2276	2276
14	MGE's response to DR0031		
15	Exhibit No. 616	2276	2277
16	MGE's response to DR0032		
17	Exhibit No. 617	2277	2277
18	MGE's response to DR0034		
19	Exhibit No. 618	2278	2278
20	MGE's response to DR0035		
21	Exhibit No. 619	2278	2279
22	MGE's response to DR0036		
23	Exhibit No. 620	2279	2279
24	MGE's response to DR0037		
25	Exhibit No. 621	2280	2280
	MGE's response to DR0038		
	Exhibit No. 622	2285	2286
	Direct testimony by Michael Noack in Case No. GR-98-140		

1	E X H I B I T S I N D E X (CONTINUED)		
2		MARKED	RECEIVED
3	Exhibit No. 623	2286	2287
4	Rebuttal testimony by		
5	Michael Noack in		
6	Case No. GR-98-140		
7	Exhibit No. 624	2287	2287
8	Surrebuttal testimony by		
9	Michael Noack in		
10	Case No. GR-98-140		
11	Exhibit No. 810	*	2447
12	Direct testimony by		
13	Kim Elvington		
14	Exhibit No. 811	*	2447
15	Direct testimony by		
16	James Gray		
17	Exhibit No. 823	*	2447
18	Direct testimony by		
19	Jolie Mathis		
20	Exhibit No. 824	*	2447
21	Rebuttal testimony by		
22	Jolie Mathis		
23	Exhibit No. 831	*	2448
24	Direct testimony by		
25	Dennis Patterson		
26	Exhibit No. 832	*	2448
27	Rebuttal testimony by		
28	Dennis Patterson		
29	Exhibit No. 833	*	2448
30	Surrebuttal testimony by		
31	Dennis Patterson		
32	Exhibit No. 835	*	2433
33	Direct testimony by		
34	Anne Ross		
35	Exhibit No. 836	*	2433
36	Direct testimony by		
37	Anne Ross		

1	E X H I B I T S I N D E X (CONTINUED)		
2		MARKED	RECEIVED
3	Exhibit No. 837	*	2433
4	Rebuttal testimony by Anne Ross		
5	Exhibit No. 838	*	2433
6	Corrected surrebuttal testimony by Anne Ross		
7	Exhibit No. 839	*	2442
8	Rebuttal testimony by Henry Warren		
9	Exhibit No. 840	*	2442
10	Surrebuttal testimony by Henry Warren		
11	Exhibit No. 850-HC	*	2458
12	Response to Data Request 0183		
13	Exhibit No. 48	*LF	
14	Revenue deficiency schedules		
15	Exhibit No. 856	*LF	
16	Accounting schedules		
17	*LF Late-filed exhibit		
18			
19			
20			
21			
22			
23			
24			
25			