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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Stipulation Hearing

March 19, 2008
Jefferson City, Missouri
Volume 4

In the Matter of the General)
Rate Increase For Natural) Case No. GR-2008-0060
Gas Service Provided by) Case No. GR-2007-0178
Missouri Gas Utility, Inc.)

HAROLD STEARLEY, Presiding,
REGULATORY LAW JUDGE
ROBERT M. CLAYTON, III (telephonically)
LINWARD "LIN" APPLING,
TERRY JARRETT,
COMMISSIONERS.

REPORTED BY:
PAMELA FICK, RMR, RPR, CCR #447, CSR
MIDWEST LITIGATION SERVICES

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APPEARANCES:

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FOR: Staff of the Missouri Public
Service Commission.

ALSO PRESENT:

FOR MISSOURI GAS UTILITY:
Kent D. Taylor (via videoconference)
Tim Johnston (via videoconference)

FOR THE STAFF OF THE PUBLIC SERVICE COMMISSION:

Mark L. Oligschlaeger
Thomas M. Imhoff
David M. Sommerer

FOR THE OFFICE OF THE PUBLIC COUNSEL:
Ted Robertson
Barbara A. Meisenheimer

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

2 JUDGE STEARLEY: All right. Good
3 morning. Can our witnesses in Colorado hear us?

4 MR. JOHNSTON: We can.

5 JUDGE STEARLEY: All right. Thank you
6 very much. We are going to go on the record here.

7 COMMISSIONER APPLING: Can we hear them?

8 JUDGE STEARLEY: Good morning. Today's
9 Wednesday, March 19th, 2008. We are here for a
10 stipulation hearing regarding the Unanimous
11 Stipulation and Agreement that was filed in
12 consolidated cases GR-2008-0060, In the Matter of the
13 General Rate Increase For Natural Gas Service
14 Provided By Missouri -- excuse me, Missouri Gas
15 Utility, Incorporated in Case No. GR-2007-0178, In
16 the Matter of Missouri Gas Utility, Incorporated's
17 Purchased Gas Adjustment Factors to Be Audited in Its
18 2005-2006 Actual Cost Adjustment.

19 My name is Harold Stearley and I'm the
20 regulatory law judge assigned to this case. The
21 court reporter this morning is Pam Fick. And we will
22 begin by taking entries of appearance, beginning with
23 MGU.

24 MR. COOPER: Thank you, your Honor.
25 Dean L. Cooper from the law firm of Brydon,

1 Swearngen & England, PC, P.O. Box 456, Jefferson
2 City, Missouri 65102, appearing on behalf of Missouri
3 Gas Utility, Inc.

4 JUDGE STEARLEY: Thank you, Mr. Cooper.
5 The Staff of the Missouri Public Service Commission.

6 MS. KLIETHERMES: Sarah Kliethermes for
7 Staff, 200 Madison Street, P.O. Box 360, Jefferson
8 City, Missouri 65102.

9 JUDGE STEARLEY: All right. Thank you.
10 The Office of Public Counsel.

11 MR. POSTON: Thank you. Marc Poston
12 appearing for the Office of the Public Counsel and
13 the public, P.O. Box 2230, Jefferson City, Missouri
14 65102.

15 JUDGE STEARLEY: Thank you, Mr. Poston.
16 We have a couple preliminary matters I want to go
17 through first before we begin today. I had sent out
18 a draft of a exhibit list with premarked exhibits
19 from the prefiled testimony in this case, and I want
20 to be sure at this point -- we don't have any other
21 exhibits offered, but that I have a complete list of
22 all the prefiled testimony and accounting schedules.

23 MR. COOPER: Your Honor, I don't believe
24 I've seen the list that you're referring to.

25 JUDGE STEARLEY: Okay. That was

1 attached to one of my orders that went out when we --
2 in fact, it was the order setting the stip hearing.
3 Well, not having seen it, let me tell you -- yes?

4 MS. KLIETHERMES: Staff may have an
5 exhibit to offer today.

6 JUDGE STEARLEY: Okay. What I have
7 premarked was the direct testimony of
8 Mr. Oligschlaeger as Staff 1; testimony of Thomas
9 Imhoff, Staff 2; testimony of David Sommerer,
10 Staff 3; Staff's cost-of-service report, Staff 4;
11 Staff accounting schedule, Staff 5; Staff class
12 cost-of-service rate design miscellaneous tariff
13 report as Staff 6 were all prefiled documents.

14 For MGU I have the testimony of Timothy
15 Johnston as MGU 1; Kent D. Taylor, MGU 2; James M.
16 Anderson, MGU 3.

17 And for Public Counsel, I had testimony
18 of Ted Robertson as Public Counsel 1 and two rounds
19 of testimony from Ms. Meisenheimer as Public Counsel
20 2 and 3.

21 MR. POSTON: For Public Counsel, that's
22 all the evidence we intend to submit.

23 JUDGE STEARLEY: Okay.

24 MR. COOPER: The only question I would
25 have, your Honor, is there's been some of these where

1 we have marked the Unanimous Stipulation and
2 Agreement and some where we have not. I don't know
3 what your preference will be.

4 JUDGE STEARLEY: Well, we'll get to that
5 directly. But with regard to the 12 exhibits that
6 I've just listed off, are there any objections to the
7 admission of those exhibits into evidence?

8 MR. COOPER: No, your Honor.

9 JUDGE STEARLEY: Hearing none, those 12
10 exhibits will be admitted and received into evidence.

11 (STAFF EXHIBIT NOS. 1 THROUGH 6, MGU
12 EXHIBIT NOS. 1 THROUGH 3 AND PUBLIC COUNSEL EXHIBIT
13 NOS. 1 THROUGH 3 WERE RECEIVED INTO EVIDENCE AND MADE
14 A PART OF THE RECORD.)

15 JUDGE STEARLEY: And Mr. Cooper, with
16 regard to your question, I would like to mark a copy
17 of the Unanimous Stipulation and Agreement. Which
18 party wishes to offer that and number it
19 sequentially?

20 MR. COOPER: We'd be willing to do that,
21 your Honor. And perhaps at the same time we -- we
22 could mark and -- and offer the -- the pleading that
23 I passed out this morning that was filed earlier that
24 contains the revised appendix B.

25 JUDGE STEARLEY: Okay. Very well. We

1 will mark a copy of the Unanimous Stipulation and
2 Agreement as MGU Exhibit 4 and a copy of the revised
3 appendix as MGU Exhibit 5.

4 Additionally, Staff, I believe
5 Mr. Oligschlaeger filed an errata sheet and
6 suggestions in support on the 17th. I'd like to mark
7 that as Staff Exhibit 7.

8 MS. KLIETHERMES: Yes. And Mr. Imhoff
9 also submitted an errata sheet that was attached to
10 the suggestions in support --

11 JUDGE STEARLEY: That's right.

12 MS. KLIETHERMES: -- which we would also
13 like to offer, which I believe puts us at 8.

14 JUDGE STEARLEY: Okay. All right. All
15 right. Have all the parties had the opportunity to
16 review those additional exhibits?

17 MR. POSTON: Yes.

18 JUDGE STEARLEY: All right. Then
19 taking up the offering and admission of Staff
20 Exhibits 7 and 8 and MGU's Exhibits 4 and 5, are
21 there any objections to the admission of those
22 exhibits?

23 (NO RESPONSE.)

24 JUDGE STEARLEY: Hearing none, they
25 shall be admitted and received into evidence.

1 (STAFF EXHIBIT NOS. 7 AND 8 AND MGU
2 EXHIBIT NOS. 4 AND 5 WERE RECEIVED INTO EVIDENCE AND
3 MADE A PART OF THE RECORD.)

4 JUDGE STEARLEY: Are there any other
5 evidentiary matters I need to take up at this time in
6 terms of offering exhibits?

7 MS. KLIETHERMES: Well, Staff is
8 prepared -- that we are prepared to offer, I suppose,
9 is the -- a response to one of your questions that
10 was submitted in the -- the notice of potential
11 questions, so if you'd like to handle that now or --
12 or while Mr. Imhoff is testifying, whichever's more
13 convenient for the Court.

14 JUDGE STEARLEY: We can take that one up
15 when Mr. Imhoff is testifying.

16 MS. KLIETHERMES: Very good.

17 JUDGE STEARLEY: The Commission also,
18 although we're not necessarily required to take
19 notice of our own prior cases, I am going to take
20 official notice of Case No. GO-2005-0120 which was
21 the case granting MGU's Certificate of Convenience
22 and Necessity when it began operations in Missouri.

23 All right. Are there any other matters
24 we need to address at this time before we begin
25 opening statements?

1 (NO RESPONSE.)

2 JUDGE STEARLEY: Okay. Hearing none, we
3 will start with opening statements beginning with
4 MGU. Mr. Cooper.

5 MR. COOPER: Very briefly, your Honor.
6 And just -- it really is a matter of background for
7 the parties that may not have been with us a few
8 years ago when this -- this company came about.

9 Missouri Gas Utility is a relatively
10 new, young natural gas local distribution company.
11 It was primarily formed from the municipal systems of
12 the cities of Gallatin and Hamilton, Missouri. Those
13 that were here will recall that -- that in the year
14 2000 -- 2004, Gallatin and Hamilton had elected to
15 not appropriate funds for the payment of two separate
16 lease/purchase contracts that -- that supported those
17 municipal systems and effectively defaulting on those
18 lease -- lease/purchase agreements.

19 The owner of -- of the systems which was
20 a bank trust department attempted to sell the
21 systems --

22 JUDGE STEARLEY: Excuse me, Mr. Cooper.

23 MR. COOPER: Sure.

24 JUDGE STEARLEY: Hello. Is this
25 Commissioner Clayton?

1 COMMISSIONER CLAYTON: Hey, Judge,
2 what's going on?

3 JUDGE STEARLEY: We were just beginning
4 opening statements, Commissioner.

5 COMMISSIONER CLAYTON: Go ahead. Thank
6 you.

7 JUDGE STEARLEY: Sorry for the
8 interruption there, Mr. Cooper.

9 MR. COOPER: No problem. Commissioner
10 Clayton, we were just beginning with a little bit of
11 background concerning Missouri Gas Utility and its --
12 its birth just a few years ago. And I was reminding
13 those that -- that were here at that time that MGU
14 bought those systems from a bank trust department
15 that was attempting to -- to sell the systems and --
16 and retire as much of the debt as was possible that
17 was secured by the system.

18 In the late fall of 2004, the Staff, the
19 OPC, the Commission itself worked very, very closely
20 to try to expedite the -- the transfer of those
21 systems as neither the cities nor the system's owner
22 had committed to purchase any additional gas to cover
23 the winter heating season of 2004 or 2005. And it
24 was projected at the time that the daily usage
25 compared to the quantity of gas in storage would

1 result in the systems being out of supply in early
2 December of 2004.

3 The gas in storage that was owned by the
4 cities was indeed depleted in early December of 2004,
5 but by that time, one of MGU's affiliates had
6 purchased additional gas into storage to cover the
7 system needs through the transfer period. This
8 Commission approved the transfer or the purchase
9 by -- by MGU of those systems on December 14th of
10 2004, and on January 1st of 2005, Missouri Gas
11 Utility closed on those -- those properties and began
12 to provide service as a public utility here in the
13 state of Missouri.

14 This is the company's first general rate
15 case since that time. There were rates that were
16 essentially adopted as a part of the transfer process
17 that -- that MGU has been using since it acquired the
18 system.

19 In this case, the parties have -- have
20 worked together, and as you know, have reached a
21 Stipulation and Agreement on what those -- those
22 rates should be on a going-forward basis. Certainly,
23 the company believes that -- that those rates are
24 just and reasonable and would ask the Commission
25 to -- to approve those rates as quickly as possible

1 because the indication by the parties is that the
2 company is underearning at this time.

3 Along with me today by video
4 teleconference are two representatives of the company
5 that -- that filed testimony in this case, Mr. Tim
6 Johnson -- Johnston who is a executive vice president
7 for Missouri Gas Utility, as well as for his parent
8 which is CNG Holdings.

9 Also with us by video teleconference,
10 Mr. Kent Taylor who is a consultant for the company
11 from the company KTM. And that's all I would have at
12 this time.

13 JUDGE STEARLEY: Thank you, Mr. Cooper.
14 Opening statements from Staff.

15 MS. KLIETHERMES: Sarah Kliethermes for
16 Staff. We're here today seeking Commission approval
17 for the Unanimous Stipulation and Agreement filed in
18 this matter, and Dean has already given -- I'm
19 sorry -- Mr. Cooper has already given some
20 background, so I'll just briefly note where we are
21 today.

22 This Unanimous Stipulation and Agreement
23 provides for an annual overall Missouri
24 jurisdictional gross gas revenues exclusive of taxes
25 of \$878,201 and that's an annual increase of

1 \$301,000. The Gallatin and Hamilton systems had
2 different rate structures, and one of the goals of
3 this case was to establish that, you know, they --
4 you brought into line that was accomplished in the
5 Stipulation.

6 One of Staff's goals for a variety of
7 reasons was to more closely align the fixed cost for
8 the company with the fixed component of customers'
9 bills, and this was reflected in the agreed-to
10 customer charges which were \$15 for general service,
11 23.53 for commercial service, 81.77 for large volume
12 and 204.42 for interruptible and transport.

13 From Staff's perspective, the Unanimous
14 Stipulation will accomplish MGU's agreement to
15 certain prospective accounting changes to an ACA
16 adjustment to perform a class cost-of-service study
17 and to commit shareholder contributions to
18 conservation funds. Also, a three-year rate
19 moratorium is imposed.

20 On the balance, the Staff considers the
21 Stipulation to be an adequate resolution of the
22 issues and it accomplishes many of the Staff's goals
23 in a manner that is acceptable to Staff, to MGU and
24 to the Office of Public Counsel. Staff asks the
25 Commission approve this Unanimous Stipulation and

1 Agreement as a fair settlement of the issues and as a
2 means of establishing just and reasonable rates.

3 We have Tom Imhoff, our rate and tariff
4 examination supervisor in the energy department, Mark
5 Oligschlaeger, utility regulator -- utility
6 regulatory auditor 5 and David Sommerer, the
7 procurement and analysis department manager, are
8 available to answer the -- any questions the
9 commissioners and judge may have, and if you'd like
10 to swear them in en masse, that might be easier.

11 JUDGE STEARLEY: And that was my plan,
12 and thank you, Ms. Kliethermes.

13 Opening statement from Public Counsel.

14 MR. POSTON: Thank you, your Honor. I
15 don't have any prepared opening other than to say
16 that we do support the Stipulation, and we agree it's
17 a fair resolution of the issues. And with me today
18 is our chief economist, Barb Meisenheimer and our
19 accountant, Ted Robertson, and we're here for
20 questions if you have any. Thank you.

21 JUDGE STEARLEY: Okay. Thank you,
22 Mr. Poston. And at this time in order to help
23 facilitate the questions and answering, I am going to
24 swear all our witnesses in en masse. So it's my
25 understanding for MGU we have witness, Timothy R.

1 Johnston and Kent D. Taylor. For Staff, Mark L.
2 Oligschlaeger, Thomas Imhoff and David Sommerer and
3 for Office of Public Counsel, Ted Robertson and
4 Barbara Meisenheimer. If you would all please raise
5 your right hand.

6 (The witnesses were sworn.)

7 JUDGE STEARLEY: All right. Very well.
8 And with that, we can proceed with questions from the
9 commissioners beginning with Commissioner Appling, if
10 you would like to start.

11 COMMISSIONER APPLING: I don't think I
12 have any -- any questions, but if I followed you
13 right, Sarah, you're saying that you -- you think
14 that this is a good -- it's a good deal that we're
15 getting you-all on this Stipulation?

16 MS. KLIETHERMES: Yes, Staff thinks that
17 it's a good deal for the -- for the people of
18 Missouri.

19 COMMISSIONER APPLING: Okay. OPC?

20 MR. POSTON: Yes, sir, we agree.

21 COMMISSIONER APPLING: So everybody
22 agreed. I'm glad I made this one this morning. This
23 is kind of a unique thing to happen around this
24 place, isn't it? Thank you very much. That's the
25 only question I have, if you-all agree on it. And

1 that makes it so if it's not a good deal, I can
2 always come and find you, Sarah. Okay. Thank you.

3 JUDGE STEARLEY: Commissioner Jarrett?

4 COMMISSIONER JARRETT: Good morning. My
5 first question is to the witnesses out in Denver.
6 How's the weather out there?

7 MR. JOHNSTON: It's always beautiful.
8 There's not a cloud in the sky, and it's supposed to
9 be 58 degrees this afternoon.

10 COMMISSIONER JARRETT: Well, send a
11 little bit of it our way. It's been rainy and dreary
12 here. We've had some flooding problems in the state,
13 so send some of that sunshine.

14 MR. JOHNSTON: We'll do our best.

15 COMMISSIONER JARRETT: Thank you. I
16 have just a few questions, and -- and mainly these
17 are for Staff, but anyone can jump in if they have
18 anything to add. That's fine with me. My first
19 question is the settlement proposes a rate base
20 increase of \$301,000 annually; is that correct?

21 MR. IMHOFF: That's correct.

22 COMMISSIONER JARRETT: And what is
23 the -- what is the increase in rates for the
24 customers? How does that break out?

25 MR. IMHOFF: Would you like for -- do

1 you want that in dollars or percentage?

2 COMMISSIONER JARRETT: Just general
3 terms.

4 MR. IMHOFF: In general terms? For
5 the -- for the general service class on an average,
6 the monthly increase would be approximately \$13.88.
7 On an annual basis, we're looking at roughly \$166.50
8 which is based off of 600 ccf's on an annual basis of
9 usage.

10 For the commercial service on the
11 monthly average, we're looking at approximately
12 \$38.83 per month, which then averages out roughly to
13 \$466.02 on an annual basis. On the large volume, we
14 are looking at -- on a monthly basis it will be over
15 \$713 on a monthly basis, roughly \$8,550-plus on an
16 annual basis.

17 For interruptible service, since there's
18 no interruptible service customers, there will be no
19 effect because there's no customers in that class
20 right now.

21 For the transportation service, we're
22 looking at roughly on a monthly basis of about
23 \$5,090; on an annual basis approximately 61,000.

24 COMMISSIONER JARRETT: Thank you. I had
25 a question on return on equity. What is the current

1 return on equity for the company?

2 MR. COOPER: Commissioner, I don't know
3 that you can -- you can identify a specific return on
4 equity for this company existing. The rates that --
5 that are currently in effect, as I mentioned briefly
6 in the opening, were really an acceptance of the
7 rates that were in effect for -- and I can't -- it's
8 one of the municipalities and not the other. There
9 was a little difference between the two. But
10 essentially, they were adopted rates from the
11 municipalities. So we really can't point to a
12 specific ROE.

13 COMMISSIONER JARRETT: All right. Well,
14 I know in the testimony that the company asked for an
15 ROE of between 12 and 13 percent, and I believe Staff
16 had recommended between 8.8 and 9.3. What ROEs does
17 this settlement contemplate?

18 MR. COOPER: Unfortunately, my answer is
19 gonna be very similar to the -- to the prior answer.
20 The settlement is what we sometimes refer to as a --
21 as a black box settlement, meaning that each party
22 has arrived at this overall revenue requirement
23 increase in its own way, in a way that it believes is
24 fair and just and reasonable.

25 I think it's safe to say that the ROE

1 contemplated would be somewhere between the Staff
2 recommendation and the company recommendation, but I
3 think each party would likely have their own view of
4 what that number is and -- and none of those would be
5 the same.

6 COMMISSIONER JARRETT: All right. Well,
7 I'll ask Staff and OPC, then, to weigh in on that.

8 MR. OLIGSCHLAEGER: This is Mark
9 Oligschlaeger for the Staff. Obviously, we agree
10 with Mr. Cooper's characterization of this being a
11 black box settlement with no -- in particular no
12 return on equity spelled out. In reaching this --
13 oh, it's not on. I'm sorry.

14 In agreeing to this number, our
15 analysis, we took into account some recent orders the
16 Commission has entered into primarily in natural gas
17 proceedings. And we don't believe this result is,
18 shall we say, materially different than perhaps what
19 might have resulted if this had gone forward and gone
20 to hearing.

21 COMMISSIONER JARRETT: Okay. Thank you.
22 OPC, any comments?

23 MR. POSTON: Thank you. We didn't do an
24 ROE analysis in this case, but typically we would,
25 you know, agree with the analysis that Staff had

1 provided.

2 COMMISSIONER JARRETT: Thank you,
3 Mr. Poston. My next question for Staff -- my next
4 question for Staff is can you give me a little
5 description of -- of the management in the case? Do
6 you think the company has good management? And just
7 kind of describe what -- what your opinion is.

8 MR. OLIGSCHLAEGER: I can perhaps start
9 out and others can chime in as they see fit. I don't
10 know -- if you're talking about operational
11 management, how things are run on a day-to-day basis
12 at MGU, I don't know that we have any major
13 criticisms or believe that things aren't being looked
14 after and managed appropriately.

15 Perhaps more specifically in terms of
16 how this rate case went in the audit and so on, I
17 would say in general we had a very good level of
18 cooperation from the company and that that level of
19 interaction went very well from our perspective.

20 COMMISSIONER JARRETT: Good. And does
21 Staff have any concerns regarding customer service of
22 the company?

23 MR. IMHOFF: This is Tom Imhoff. No, we
24 do not. When we were at the public hearing, the
25 customers that did show up made the statement that

1 they had no problem with the customer service that
2 the -- that the company was providing, so I'm just
3 basing it off of that interaction that I had at the
4 public hearing.

5 COMMISSIONER JARRETT: I wanted to ask a
6 question about gas procurement, gas procurement
7 plans. Do those -- from Staff's perspective do those
8 seem adequate?

9 MR. SOMMERER: This is Dave Sommerer
10 with the Staff. Yes, we believe the company is
11 making progress in that area. Mr. Johnston of the
12 company has the appropriate experience, they are
13 improving in terms of documentation, they are
14 improving in terms of looking at their storage,
15 filling it during the summer, so I'm quite impressed
16 and I think they're moving in the right direction.

17 COMMISSIONER JARRETT: Okay. And does
18 Staff have any pipeline safety issues with the
19 company? Any problems?

20 MR. OLIGSCHLAEGER: (Shook head.)

21 MS. KLIETHERMES: That specific Staff
22 person is not on hand, but those Staff that are
23 present are not aware of any issues.

24 COMMISSIONER JARRETT: All right. And
25 does the company have any energy efficiency programs

1 in place?

2 MR. COOPER: Let me -- let me pass that
3 to Mr. Johnston. Commissioner, you will note that as
4 a part of the Stipulation and Agreement, there are
5 some -- some funds designated for that on a
6 going-forward basis. But let me -- I'm not thinking
7 of any at this point in time, but I want to let --
8 let Tim answer if that's possible.

9 COMMISSIONER JARRETT: Certainly.

10 MR. JOHNSTON: At the present time,
11 Missouri Gas Utility does not have any conservation
12 programs in place. We are working towards that there
13 are funds in the Stipulation -- that are specified in
14 the Stipulation that the company intends to
15 contribute. We've been working at this point with
16 Green Hills Community Service Group in our area to
17 see how we can best apply those funds.

18 THE COURT REPORTER: I'm sorry, sir.
19 You're going to have to speak up a little bit. I'm
20 having a little bit of trouble hearing you.

21 MR. JOHNSTON: I'm sorry. We don't have
22 a program right now, but we are working towards one
23 in conjunction with one of the community groups and
24 also taking a look at it from the company's
25 standpoint as far as companies in the program that

1 are part of that.

2 COMMISSIONER JARRETT: Thank you. I
3 don't have any further questions, but I want to thank
4 all the parties for -- what they call the parties for
5 working together and cooperating in coming up with a
6 mutually beneficial agreement, and thanks for your
7 answers today. Thanks.

8 JUDGE STEARLEY: Commissioner Clayton,
9 are you still with us?

10 COMMISSIONER CLAYTON: I'm still here.
11 Would you mind if I ask some questions?

12 JUDGE STEARLEY: By all means.

13 COMMISSIONER CLAYTON: Okay. Can
14 you-all hear me okay?

15 JUDGE STEARLEY: Yes, we have very good
16 volume for you.

17 COMMISSIONER CLAYTON: Too good of
18 volume? I wanted to direct my questions principally
19 to Staff. My first general set of questions relates
20 to this utility and the case GA-2007-421 which was
21 decided back in June of last year with a -- I think
22 we granted either an extension of a service area or
23 an authorization to extend their service area in
24 Daviess County.

25 And I was wondering if Staff conducted

1 any analysis of that expansion with what its impact
2 has been on the previous existing customers as well
3 as all -- as well as the new customer. Is that
4 included in your analysis for this Stipulation and
5 Agreement?

6 MR. OLIGSCHLAEGER: This is Mark
7 Oligschlaeger for the Staff. I'm not sure this is
8 directly responsive to your question. Our case does
9 reflect sales volumes associated with the Landmark
10 customer addition as well as the plant in service and
11 any other investment that was necessary to bring them
12 on line.

13 COMMISSIONER CLAYTON: So those
14 investments are now included in -- in rates according
15 to this Stip; is that correct?

16 MR. OLIGSCHLAEGER: From our
17 perspective, yes.

18 COMMISSIONER CLAYTON: And then the
19 revenues, the expected revenues would also be
20 included --

21 MR. OLIGSCHLAEGER: Yes, uh-huh.

22 COMMISSIONER CLAYTON: -- is that
23 correct? So as part of that previous case, there was
24 a deferral of all ratemaking treatment into the next
25 rate case, and I think I issued a concurrence that

1 suggested I -- I didn't know that the next rate case
2 would occur so quickly, but was Staff able to make a
3 finding? I guess your finding that that was a
4 prudent investment, since you're including it in the
5 rate base as part of this Stip?

6 MR. OLIGSCHLAEGER: Yes.

7 COMMISSIONER CLAYTON: Are there any
8 findings -- did you find any -- any imprudent
9 decisions or imprudent investments associated with --
10 with that expansion?

11 MR. OLIGSCHLAEGER: No, we did not.

12 COMMISSIONER CLAYTON: Has that
13 expansion, considering it's only been a year long,
14 has that been a positive activity in terms of, you
15 know, existing customers as well as the system as a
16 whole?

17 MR. OLIGSCHLAEGER: It is our belief
18 that the level of revenues associated with the
19 Landmark customer addition in our case exceed the
20 incremental costs associated with bringing them on
21 line. So it should be a -- a net positive for MGU's
22 customer -- existing customer base.

23 COMMISSIONER CLAYTON: Okay. So -- so,
24 I mean, just basically that -- that all parties
25 including the system are benefiting from that

1 expansion?

2 MR. OLIGSCHLAEGER: That is our belief,
3 yes.

4 COMMISSIONER CLAYTON: Okay. You have
5 energy efficiency and conservation amounts that are,
6 I believe, included in this Stipulation in the amount
7 of \$9,000; is that correct?

8 MR. IMHOFF: This is Tom Imhoff. Yes,
9 we do.

10 COMMISSIONER CLAYTON: And -- and how
11 was that figure derived? I know your answer is
12 probably gonna be that it's a settled amount, but is
13 there any basis that supports that figure?

14 MR. IMHOFF: It was actually an agreed
15 to amount, Commissioner.

16 COMMISSIONER CLAYTON: Did -- what was
17 Staff's opening request or demand for energy
18 efficiency or conservation programs?

19 MR. IMHOFF: I -- I don't know whether
20 or not I can respond because that was part of the
21 settlement negotiations. I don't know.

22 COMMISSIONER CLAYTON: Well, was it in
23 testimony? I guess I'll ask it that way.

24 MR. IMHOFF: No, it wasn't, not the
25 dollar amount.

1 COMMISSIONER CLAYTON: Okay. Generally
2 speaking, energy efficiency and conservation
3 expenditures are based as a percentage of the gross
4 revenues of a gas utility. Does this figure -- does
5 this figure reflect 1 or 1 and a half percent of
6 gross revenues?

7 MR. IMHOFF: Yes, it does,
8 approximately, yes.

9 COMMISSIONER CLAYTON: And so it's
10 approximately, what, 1 percent, 2 percent?

11 MR. IMHOFF: Right around 1 percent.

12 COMMISSIONER CLAYTON: Okay. And DNR
13 was not in this case?

14 MR. IMHOFF: That is correct.

15 COMMISSIONER CLAYTON: Okay. And did --
16 was Staff advocating in its principal case for a
17 straight fixed variable rate design?

18 MR. IMHOFF: Yes, we were.

19 COMMISSIONER CLAYTON: You were. And --
20 but this Stipulation does not include a straight
21 fixed variable rate design?

22 MR. IMHOFF: That is correct.

23 COMMISSIONER CLAYTON: Is the rate
24 design moving in that direction?

25 MR. IMHOFF: We believe it is.

1 COMMISSIONER CLAYTON: Okay. Does Staff
2 believe that energy efficiency and conservation
3 expenditures should increase as we move towards the
4 straight fixed variable rate design?

5 MR. IMHOFF: I believe so, yes.

6 COMMISSIONER CLAYTON: What would be the
7 optimal amount of expenditures for energy efficiency
8 and conservation programs for a utility such as this?

9 MR. IMHOFF: Were you looking at a
10 percentage or like a dollar amount?

11 COMMISSIONER CLAYTON: Either way. I
12 can try to do the math.

13 MR. IMHOFF: Okay. I -- we would view 2
14 to 3 percent of gross revenues.

15 COMMISSIONER CLAYTON: Including gas
16 cost or -- or not including gas cost?

17 MR. IMHOFF: Not including the gas
18 costs.

19 COMMISSIONER CLAYTON: So -- so what is
20 the revenue -- the nongas revenue requirement for
21 this utility, then, the total revenue requirement
22 excluding gas cost?

23 MR. IMHOFF: I believe it was
24 approximately 900,000.

25 COMMISSIONER CLAYTON: Okay. So -- so

1 the -- the 9,000 would reflect the 1 percent. What
2 is the gas cost that we would add to that figure for
3 a total gross revenue calculation, the public?

4 MR. IMHOFF: I'm not sure what that
5 total dollar amount is. We'd have to go back and
6 compute that.

7 COMMISSIONER CLAYTON: Well, could you
8 estimate what their -- what you think their gas cost
9 expenditure is? Does -- does MG -- MGU know that,
10 any of their witnesses?

11 MR. SOMMERER: Mr. Imhoff, this is Dave
12 Sommerer. Commissioner Clayton, from the '05-'06
13 period, ACA period, the gas cost of the company was
14 approximately \$615,000.

15 COMMISSIONER CLAYTON: So if you were
16 to -- if you were to do a total gross revenue
17 requirement including gas costs, we'd be talking
18 about one and a half million dollars on an annual
19 basis? Would you agree with that, either
20 Mr. Sommerer or Mr. Imhoff or any -- anyone disputes,
21 speak up.

22 MR. IMHOFF: This is Tom Imhoff. Yes, I
23 would agree with that.

24 COMMISSIONER CLAYTON: Okay. And would
25 you agree that in terms of energy efficiency and

1 conservation programs that there are many states that
2 compute the -- the 1 to 2 percent expenditure for
3 those types of programs are for the -- the total
4 amount of revenue requirement. Would you agree with
5 that or would you disagree?

6 MR. IMHOFF: I'm not really sure.

7 COMMISSIONER CLAYTON: Okay. Okay. I
8 don't think it matters. I mean, it's still not that
9 much money for a utility of this size, I think,
10 between 15,000 and \$9,000. Is there any rate-based
11 treatment for energy efficiency programs in this
12 case?

13 MR. IMHOFF: No.

14 COMMISSIONER CLAYTON: Okay. So it's --
15 and that 9,000 is included in the revenue
16 requirement, that's not a company contribution?

17 MR. IMHOFF: No. That is a -- that is a
18 company contribution, in the Staff's opinion.

19 COMMISSIONER CLAYTON: Okay. So that
20 is -- and then is there -- is there any additional
21 funds in energy efficiency or conservation that is --
22 that is built into the revenue requirement where
23 they're ratepayer-funded?

24 MR. IMHOFF: Not that I'm aware of, no.

25 COMMISSIONER CLAYTON: Hmm. Okay.

1 Mr. Sommerer or Mr. Imhoff, I'm not sure who the most
2 appropriate person to ask this question. It's my
3 understanding that you have some PGA and ACA figures
4 that are built into this Stipulation. I just want to
5 ask generally whether the Staff is satisfied with the
6 hedge -- the hedging and the gas purchasing prices of
7 Missouri Gas Utility?

8 MR. SOMMERER: This is Mr. Sommerer. I
9 believe they -- MGU has improved their hedging
10 practice. We had some concerns in '05-'06, that was
11 the fall of '05 where Hurricane Katrina came through,
12 and the company had delayed filling their storage
13 system that caused us some significant concern.

14 However, in viewing the '05-'06 -- or
15 the '06-'07 situation, the direction that they're
16 headed, their responses to our concerns, we believe
17 that it is the company's plan and intent to have
18 storage generally full by the start of winter. And
19 storage is their most significant hedging asset.
20 They have a significant amount of storage.

21 COMMISSIONER CLAYTON: Okay.

22 MR. SOMMERER: So I would simply say
23 that Staff is satisfied.

24 COMMISSIONER CLAYTON: Okay. Would you
25 say -- would you say you're satisfied but there's

1 room for improvement, or do you think they have
2 gotten to the point where the Staff is comfortable
3 that they're taking all actions necessary to protect
4 from volatility, not necessarily protect from high
5 prices, but protect from volatility and -- and price
6 bites in gas purchasing?

7 MR. SOMMERER: I would say it's the
8 latter, that we're comfortable -- the company needs
9 to always be diligent about it, and hedging is
10 something that can change from year to year. And so
11 we would hope the company would move away from a
12 price view policy of hedging, which I think was
13 somewhat risky in the winter of '05-'06 to more of a
14 dollar cost averaging with the long-term view to make
15 sure that hedges are in place well before the winter
16 starts. And everything that we've seen from the
17 company in their responses and their actual practice
18 after the winter of '05-'06 indicates that they are
19 doing just that.

20 COMMISSIONER CLAYTON: Okay. Okay. I'm
21 not sure if you-all are the right witnesses for this.
22 I'm not sure if there's anyone there from gas safety,
23 but has any analysis been done of the actual plant in
24 the ground with regard to some of the -- the main
25 replacement programs we have with our larger

1 utilities? Are there any issues? Is anyone aware of
2 whether there are any issues associated with either
3 old cast iron mains that are being changed out or --
4 or any copper mains that are a problem? Is that even
5 applicable, I guess, to this utility as it would be
6 to a Laclede or a MGE or one of the larger ones?

7 MR. COOPER: Commissioner Clayton, this
8 is Dean Cooper. I think you'll find that these
9 systems are so new that that is not an issue in this
10 case.

11 COMMISSIONER CLAYTON: Yeah. Okay.
12 That's -- that's what I thought. That's what I
13 thought. Okay. I don't think I have any other
14 questions, but I know my advisor has given some
15 additional general questions to the judge. I'll let
16 him ask the questions that he's gonna propose. I
17 appreciate everyone being patient with me calling,
18 and this -- this hearing was set after I made some
19 travel plans, and I appreciate your indulgence. So I
20 will sign off, and thank you very much for your time.

21 JUDGE STEARLEY: Okay. Thank you,
22 Commissioner Clayton. I did provide the parties
23 prior to the hearing with a list of some general
24 questions, and we can go through those at this time.
25 And then if any of the commissioners have some

1 additional follow-up questions, we can pick up with
2 those.

3 By beginning, I wanted to clarify the
4 current customer cap of the company because I had
5 some various numbers cited throughout the testimony
6 probably dependent upon the time period in which that
7 was given, so ...

8 MR. COOPER: Your Honor, I think it will
9 depend on, you know, just how much detail you would
10 like, but you're correct, the time period will make a
11 significant difference in regard to this company,
12 partially because it has grown over time.

13 Secondly, because it experiences a
14 fairly high percentage of seasonal disconnects, those
15 folks that are on the system through the -- the
16 winter heating months and then drop off the system
17 through the summer months. So you can experience a
18 fairly significant change even from -- from the end
19 of February to -- to the end of September depending
20 on when people have -- have dropped and -- and picked
21 up service.

22 The Staff went through a -- a
23 calculation to address that, and I think that's --
24 that's how we ended up with the customer numbers that
25 are ultimately reflected in the Stipulation and

1 Agreement and the -- and the calculation of rates.

2 I do have with me -- again, it depends
3 on just how much detail you would like, but I have
4 with me a chart that the company put together that
5 compares the customer numbers in the Stipulation
6 versus the customer numbers of September 30th of
7 2007, and then the customer numbers as of
8 February 29th of this year. I don't know if that
9 level of detail is -- would be helpful for you or
10 not.

11 JUDGE STEARLEY: If you could just
12 briefly run through the classes, that would -- that
13 would be great.

14 MR. COOPER: The -- the company shows
15 that for general service, customers per the
16 settlement would be 889, customer numbers as of
17 September 30 of 2007 was 792, customers at
18 February 29th of this year, 942. For --

19 JUDGE STEARLEY: So the current is 942?

20 MR. COOPER: Well --

21 JUDGE STEARLEY: Or as best as you can
22 approximate.

23 MR. COOPER: As of the end of the last
24 month.

25 JUDGE STEARLEY: Okay. Why don't -- why

1 don't we just stick with the end of last month's
2 numbers and we'll take those as the approximate
3 customer count. I don't need to have the -- that
4 full range.

5 MR. COOPER: Okay. Again, those numbers
6 will probably then backslide a little bit as we go
7 through the summer months.

8 JUDGE STEARLEY: Right.

9 MR. COOPER: So if we were to ask this
10 same question two months from now, we'd have
11 different numbers. But commercial in the Stip or in
12 the settlement, 56; customers at the end of February
13 were 67. Large volume were 11. In the settlement
14 they were 14 at the end of February. As was
15 mentioned previously, there are no interruptible
16 customers.

17 And then transportation customers we
18 list as -- as five customers in the settlement and
19 five customers at the end of February. Now, it's my
20 understanding that -- that while they're identified
21 as five customers, it's really one entity, it's one
22 legal entity that -- that merely has, I assume, five
23 meters. But I'm seeing Mr. Johnston in Colorado
24 shake his head yes, so that would be the -- the
25 answer for the transportation.

1 JUDGE STEARLEY: All right. Thank you.
2 And for those of us who are not accountants, would
3 you please explain the difference between what you
4 have in the settlement numbers as your percentage
5 increase and margins as opposed to the actual
6 percentage increase in charges that are going to the
7 customers?

8 And any witness or party can jump in
9 here. Just please identify yourself by name prior to
10 speaking so our court reporter can accurately reflect
11 the testimony.

12 MR. IMHOFF: This is Tom Imhoff talking
13 on behalf of the Staff.

14 I'm assuming that the question was
15 asking what is the various percentage increase to a
16 particular customer and if it would be different? Is
17 that --

18 JUDGE STEARLEY: Well --

19 MR. IMHOFF: I guess I'm trying to
20 figure out exactly what the question was.

21 JUDGE STEARLEY: Sure.

22 MR. IMHOFF: My assumption -- I took
23 general service, for instance. Do you want the gas
24 costs included which would actually be what a
25 customer would see on their bill or what the total

1 change on their bill would be or do you want to know
2 what the margin percentage changes would be?

3 JUDGE STEARLEY: Right. The margin
4 percentage changes I think are pretty clear in
5 appendix B to the Stipulation.

6 MR. IMHOFF: Okay.

7 JUDGE STEARLEY: So I'm interested in
8 what percentage increase --

9 MR. IMHOFF: What the overall would be?

10 JUDGE STEARLEY: Would be for on the
11 customer's bill in comparison to that.

12 MR. IMHOFF: All right. For a general
13 service customer, we could offer this up as -- as an
14 exhibit if you would like as far as for a general
15 service class. I did that calculation to show what
16 the percentage impact would be.

17 JUDGE STEARLEY: Have the other parties
18 had an opportunity to look at that document?

19 MR. IMHOFF: No, not yet.

20 JUDGE STEARLEY: If you'll share that
21 with them first. All right. We can mark this as
22 Staff Exhibit 10. Would there be any objections to
23 admission of this exhibit?

24 MR. POSTON: No objection.

25 JUDGE STEARLEY: Hearing none, it will

1 be admitted and received into evidence. And thank
2 you, Mr. Imhoff, for preparing this for the
3 Commission.

4 MR. IMHOFF: You're welcome.

5 (STAFF EXHIBIT NO. 10 WAS RECEIVED INTO
6 EVIDENCE AND MADE A PART OF THE RECORD.)

7 JUDGE STEARLEY: So this focuses on the
8 residential class --

9 MR. IMHOFF: Yes.

10 JUDGE STEARLEY: -- question?

11 MR. IMHOFF: Yes.

12 JUDGE STEARLEY: Okay. All right. And
13 I believe you already gave us some dollar amounts for
14 the other classes' --

15 MR. IMHOFF: Yes.

16 JUDGE STEARLEY: -- questions, so I
17 think we'll -- we'll move on from there, unless you'd
18 like to offer any other explanation of the document.
19 It looks pretty self-explanatory.

20 MR. IMHOFF: Not at this point in time.

21 JUDGE STEARLEY: Okay. Staff witness
22 Oligschlaeger in his errata sheet, I believe,
23 corrected some numbers for Staff's additional -- or
24 original, I should say, proposed increase in revenue
25 requirement.

1 MR. OLIGSCHLAEGER: Yes, I did.

2 JUDGE STEARLEY: Okay. And I'm assuming
3 that would apply to any schedule that's already been
4 offered in testimony in terms of that correction; is
5 that -- is that correct? Because those numbers
6 appeared in various schedules throughout the Staff's
7 accounting schedule, so I'm assuming that would
8 correct all instances when those numbers were
9 offered?

10 MR. OLIGSCHLAEGER: It was intended to,
11 yes.

12 JUDGE STEARLEY: Okay. I had also asked
13 for an explanation of a discrepancy in the commercial
14 service calculations, and a corrected appendix 3 was
15 provided reflecting a correction from \$46,325 to
16 \$40,954 for total revenue including a growth
17 annualization through commercial service; is that
18 correct?

19 MR. OLIGSCHLAEGER: That's correct.

20 JUDGE STEARLEY: You've already answered
21 some of my questions before you got here today. On
22 the appendix B to the Stipulation, item 8 has a
23 revenue adjustment of \$3,014, and I was wondering if
24 any of the parties would please explain where that
25 adjustment came from. I didn't locate it in any

1 specific accounting schedule, so ...

2 MR. COOPER: Your Honor, let me -- let
3 me offer this up from the company's perspective, and
4 perhaps others can -- can disagree if -- if they
5 don't ...

6 From the company's perspective, we
7 believe that that's an adjustment that accounts for
8 the fact that some of the miscellaneous charges are
9 being increased in the Stipulation.

10 You'll notice that there's a -- we're
11 moving from a -- a \$30 disconnect/reconnect charge to
12 a \$40 charge. There's an insufficient funds charge
13 that's being added to the tariff, and that those --
14 those increases need to be taken into account.

15 JUDGE STEARLEY: All right. Thank you,
16 Mr. Cooper. Any of the other witnesses or parties
17 disagree with that?

18 (NO RESPONSE.)

19 JUDGE STEARLEY: Okay. And then if
20 someone would explain a little bit more in detail
21 about the \$170,000 deduction in transport revenue
22 from the revenue requirement.

23 MR. COOPER: Well, let me start it off,
24 your Honor. And I think I'll start by maybe
25 clarifying a little something that was said by -- by

1 Mr. Imhoff earlier today. When he was providing the
2 monthly increases per customer, he -- he did so in
3 regard to the transportation class just like he did
4 all the other classes.

5 But the transportation class is somewhat
6 unique. There is a single customer under a single
7 contract that -- that MGU took over from the
8 municipalities when they bought the system. I think
9 what Mr. Imhoff was referring to was the change in
10 the max rate under that transportation tariff.

11 That's not what the customer actually
12 pays. The 145 that you see, the \$145,000 figure
13 represents the current revenue under the existing
14 contract. Merely changing the tariff as a result of
15 this case won't change the rate that that
16 transportation customer is -- is paying.

17 So the question for the parties became
18 how do we -- how do we take that into account on a
19 going-forward basis in -- in determining the rates?
20 I think that -- that the parties ultimately arrived
21 at the \$170,000 figure as a -- as a fair or a
22 reasonable approximation of the revenue that MGU
23 might receive on a going-forward basis if it's able
24 to negotiate that contract.

25 JUDGE STEARLEY: Okay. I see some head

1 nodding there, so assuming no one's disagreeing with
2 that analysis.

3 Okay. Moving on, the Stipulation and
4 Agreement calls for some prospective accounting
5 changes in various areas. Does this indicate that
6 MGU has not been following the Uniform System of
7 Accounts? And I believe there's some notation in
8 Staff's suggestions in support that they were -- they
9 were not to some regards, but that corrections that
10 Staff had made with regard to their accounting
11 practices had the effect of increasing MGU's overall
12 revenue requirement. Is that an accurate statement?

13 MR. OLIGSCHLAEGER: This is Mark
14 Oligschlaeger for the Staff. From the Staff's
15 perspective, yes, those were accurate statements.

16 JUDGE STEARLEY: Okay. And based upon
17 what's in the Stipulation and Agreement, have
18 measures been taken to bring MGU's accounting system
19 in line with the Uniform System Of Accounts?

20 MR. OLIGSCHLAEGER: Yes, these
21 provisions, if complied with, we believe will remove
22 any question of USOA compliance in future rate cases.

23 JUDGE STEARLEY: Okay. This question's
24 sort of following up on Commissioner Clayton's
25 question regarding the extension of facilities, but

1 has MGU quantified or can they quantify its net
2 utility investments in its Missouri service area
3 since it began providing service in Missouri? And
4 perhaps our witnesses in Denver can log in on this
5 one for us.

6 MR. COOPER: Mr. Johnston, do you want
7 to take that?

8 MR. JOHNSTON: Yes. The original
9 purchase of MGU was recorded in the books at 1.9
10 million which was the combined purchase price for the
11 two systems from the municipalities. The gross plant
12 as of September 30th was \$3.6 million which is an
13 increase of 1.7. There have been some slight
14 increases since then as we've added additional
15 customers and service lines, but that's essentially
16 where we're at.

17 JUDGE STEARLEY: All right. Thank you.
18 I also had a question regarding inflation and how
19 that's affected the operating costs for MGU. In
20 Staff's cost-of-service report, they had inflation
21 numbers reflecting an average inflation rate of
22 approximately 3.14 percent for the months of December
23 2004 through November of 2007.

24 Is this an accurate percentage, sort of
25 average on the impact that's had on the company and

1 their -- is there an approximate dollar amount that
2 the company can give us in terms of how that's
3 affected their operating cost?

4 MR. COOPER: I don't think the company
5 is able to provide such a number. I don't -- I don't
6 know whether we could in any situation, but
7 particularly in this situation where we have a
8 limited history of -- of operating costs. Because of
9 the age of the system, we're not able to do that.

10 JUDGE STEARLEY: Okay. I did want to
11 ask, it's been brought up that the company is
12 underearning and there was an audit conducted in the
13 case granting the certificate for this company that
14 Staff provided in 2006 showing the company was
15 underearning it seems like from its inception.

16 And so my question was, why hasn't MGU
17 sought a rate increase prior to now? And then the
18 follow-up to that would be, is this three-year rate
19 moratorium an appropriate time period set on a rate
20 moratorium?

21 MR. COOPER: Your Honor, I think that
22 there's a -- there's a variety of practical reasons
23 that the company didn't earlier file a -- for a rate
24 increase. As we've stated, they -- they first began
25 service on January 1 of 2005 and this case was filed

1 August 29 of 2007. Not a huge amount of time in
2 there to start with.

3 In that intervening period, for one,
4 this -- the parent of MGU has facilities in Colorado
5 and there were resource issues associated with
6 some -- some activities that were going on there in
7 regard to rate cases in Colorado. They only had so
8 many folks to -- to do that sort of work.

9 Two, until you got to January 1 of 2006,
10 you didn't have 12 months of experience to look at in
11 terms of what you're gonna base your rate case on.
12 And third, there's a certain amount of preparation
13 time even once the company says, okay, we're going to
14 file a rate case. It takes a little time to -- well,
15 one, they tried to work towards their -- their audit
16 and financial statements. This company ends its
17 fiscal year March 31 of every year, which is why they
18 came in with an original test period ending
19 March 31st.

20 And there's also just a certain amount
21 of work for -- for folks like Mr. Taylor to take
22 those numbers and pull them together into a filing
23 that can be made with the Commission.

24 I guess your last question is whether
25 the -- the moratorium is an appropriate link.

1 Certainly the company thinks it is or it would --
2 would not have agreed to it.

3 JUDGE STEARLEY: All right. Any of the
4 other parties disagree on any of those statements?

5 MR. POSTON: No, Judge.

6 JUDGE STEARLEY: All right. In the
7 Stipulation it says there's gonna be equal percentage
8 increase in the rates for all classes, for revenue,
9 for general service, commercial service, large volume
10 service. How does the interruptible -- and I know
11 there's no customers there so that may not be of any
12 consequence in transport. How do they factor into
13 that or is there an equal percentage going across all
14 classes in this rate design, equal percents to
15 increase?

16 MR. IMHOFF: This is Tom Imhoff.
17 From -- from the Staff's perspective, yes.

18 JUDGE STEARLEY: Everyone agree with
19 that?

20 MS. MEISENHEIMER: That -- that is what
21 the calculation was intended to do, and you can see
22 that on the revised appendix B that it is apparent
23 except with respect to the customer charge for the
24 general service class. And that is because we had a
25 different outcome for how the increase would be

1 accomplished for the general service class.

2 It was more in the customer charge than
3 there was. But if you look across the bottom to the
4 other rate increases which were above the customer
5 charges from the volumetric and they're all getting
6 the same increase once you're looking at the revised
7 schedule.

8 And in -- with the case of transport, I
9 believe that that was done to the -- to the rate that
10 would apply in the event -- I'm sorry -- not
11 transport, interruptible. It would apply as well to
12 any new customers they got that were interruptible
13 customers, so they would be treated the same going
14 forward.

15 And the transport customer, I think the
16 company's already explained that they're currently in
17 a contract and the assumptions about, you know, what
18 they -- they may be able to renegotiate at their next
19 opportunity.

20 JUDGE STEARLEY: All right. Thank you,
21 Ms. Meisenheimer. I believe it already came out
22 during Commissioner Clayton's questions, but it
23 appears that the company's contribution to the
24 conservation efforts are not going to be borne by the
25 ratepayers. Did I understand that correctly?

1 MR. IMHOFF: That is correct from the
2 Staff's perspective.

3 JUDGE STEARLEY: All right. Any
4 disagreement with that?

5 MR. COOPER: No, your Honor.

6 JUDGE STEARLEY: Okay. I have kind of
7 some summary questions. I would like to hear from
8 the witnesses in all these just to be sure all the
9 parties are --

10 MR. POSTON: Judge -- I'm sorry, Judge.

11 JUDGE STEARLEY: Yes.

12 MR. POSTON: Do you mind if our witness
13 responds to that last question about --

14 JUDGE STEARLEY: No, not at all. Please
15 do.

16 MS. MEISENHEIMER: And I don't want to
17 get into the interworkings of the Stipulation because
18 it's supposed to be a black box settlement between
19 the parties. I would just like to point out that if,
20 you know, the characterization that Staff gave is its
21 own and if the company joins in that, then that's its
22 own view of it. I don't intend to comment on that
23 because I view that as part of the black box
24 settlement.

25 JUDGE STEARLEY: All right. Thank you,

1 Ms. Meisenheimer. And these last questions I have,
2 I'd like to hear from the witnesses of all the
3 parties just to be sure that the parties are in
4 agreement on some -- sort of some summary items here.

5 It's my understanding the parties all
6 agree to utilizing the volume or the customer count
7 determinants that were outlined in Staff's case for
8 rate design; is that correct? And if I'm not hearing
9 a negative, I'm gonna assume that it's a positive
10 response.

11 MR. POSTON: Yes, that's correct.

12 JUDGE STEARLEY: And the parties then
13 agree on any other billing determinants and
14 allocation factors that factored into the rate
15 design?

16 (NO RESPONSE.)

17 JUDGE STEARLEY: Okay. Generally, then,
18 do all the parties agree that the terms of the
19 Stipulation and Agreement comprise a fair settlement
20 of the issues in this matter?

21 MR. POSTON: Yes.

22 MR. COOPER: Yes, your Honor.

23 JUDGE STEARLEY: Do the parties believe
24 that the terms of the Stipulation and Agreement
25 establish just and reasonable rates?

1 MR. COOPER: Yes.

2 MR. POSTON: Yes, your Honor.

3 MR. IMHOFF: Yes.

4 JUDGE STEARLEY: Okay. Staff filed its
5 suggestions in support this week. Is any party
6 planning on filing a response to those suggestions?

7 MR. POSTON: No, your Honor.

8 MR. COOPER: The company is not, your
9 Honor.

10 JUDGE STEARLEY: Okay. The reason I ask
11 is the Commission may take up an order regarding this
12 as early as tomorrow in tomorrow's agenda, so I
13 wanted to be sure there weren't going to be any other
14 responses filed before that order is taken up.

15 Presuming the Commission approves the
16 Stipulation and Agreement, do any of the parties
17 object to that order being issued with less than a
18 ten-day effective date?

19 MR. POSTON: No, your Honor.

20 JUDGE STEARLEY: Okay. So if that order
21 bore an effective date of Monday the 24th, it would
22 be adequate time for all the parties to review it,
23 file any motions for reconsideration they would like
24 to?

25 MR. POSTON: I'm sorry. What was the

1 question? Are you expecting a response from that?

2 JUDGE STEARLEY: I just want to be sure
3 if the order's issued tomorrow if the parties all
4 agree it can go out with a less than a ten-day
5 effective date. Would Monday the 24th be adequate
6 time for the parties to review that order, file any
7 motions for reconsideration it may have?

8 MR. POSTON: I believe that would be
9 sufficient, yes.

10 JUDGE STEARLEY: So there would be no
11 objection to bearing that date?

12 (NO RESPONSE.)

13 JUDGE STEARLEY: I'm assuming the
14 company would like to have this matter expedited. Am
15 I correct, Mr. Cooper?

16 MR. COOPER: The company would, your
17 Honor; however -- and again, per usual, Mr. Johnston
18 may have to kick me on this if I step over the
19 bounds. But while -- while I say that we would like
20 to have it expedited, currently the company's plan
21 would be to ask that tariffs be effective on
22 April 15th.

23 The reasoning behind that is that that
24 is when the company reads its meters on a monthly
25 basis is on -- on or about the 15th of the month.

1 And if the tariffs were effective on that same date,
2 that would avoid the necessity of this company trying
3 to prorate between one set of rates and another set
4 of rates in a single billing period.

5 So while I say we would like expedited
6 treatment, and indeed it would be because I think it
7 would be less than 30 days from when the tariffs
8 would be filed, it's not lightning quick either,
9 so ...

10 JUDGE STEARLEY: Okay. If -- and I'm
11 glad you brought that up as a -- as a statement of
12 good cause, and I'm assuming it's because the company
13 is already underearning as been documented?

14 MR. COOPER: That is certainly where we
15 would start in the filing or in the motion for
16 expedited treatment, yes, your Honor.

17 JUDGE STEARLEY: All right. Mr. Imhoff?

18 MR. IMHOFF: Yes. I would just like to
19 make sure that -- that when the company does file
20 their compliance tariff, that they do have the proper
21 30-day notice on the tariff.

22 JUDGE STEARLEY: That -- that would be
23 in any order issued --

24 MR. IMHOFF: Okay. I just want to make
25 sure.

1 JUDGE STEARLEY: -- in the Stipulation.
2 They would be directed to place a 30-day effective
3 date on it. However, the Commission could approve it
4 to go into effect sooner. Is -- with a -- with a
5 potential April 15th date, will that give Staff
6 adequate time, depending on how quickly compliance
7 tariffs are filed, to review those tariffs and Public
8 Counsel adequate time to review those tariffs?

9 MR. POSTON: Yeah. We have sample
10 tariffs that were filed and we have reviewed those,
11 so I think that any additional changes they may make
12 between now and then, we would have time -- time to
13 review.

14 JUDGE STEARLEY: Okay. And Mr. Cooper,
15 I would assume those compliance tariffs would be
16 filed on an expedited basis then as well?

17 MR. COOPER: They would be. As has been
18 appointed out, there are sample tariffs. The only
19 change that we know of that would need to be made to
20 those sample tariffs is just the large volume rate
21 that changed as a result of the revised appendix B.
22 So otherwise, those should be fairly straightforward.

23 JUDGE STEARLEY: All right. If Staff,
24 then, gets its recommendation on any compliance
25 tariffs filed, I would probably put a short response

1 time on that. And we'll -- if any party would need
2 additional time, they can always file a request for
3 that. But I'm trying to keep these dates in mind,
4 so -- okay, very well. I don't have any other
5 additional questions. Commissioner Jarrett, do you
6 have any questions?

7 COMMISSIONER JARRETT: Nothing further.

8 JUDGE STEARLEY: And Commissioner
9 Clayton's already signed off. Are there any other
10 matters we need to take up before adjourning today?

11 (NO RESPONSE.)

12 JUDGE STEARLEY: The transcript of this
13 hearing is gonna be expedited and be available by end
14 of the business day tomorrow. Well, if there's --
15 well, was the exhibit on your percentage increases,
16 was that the one exhibit you had in addition to
17 offer?

18 MS. KLIETHERMES: It was.

19 JUDGE STEARLEY: Okay. So I do have all
20 exhibits offered and admitted at this time?

21 (NO RESPONSE.)

22 JUDGE STEARLEY: All right. Very well.
23 If there's no other matters we need to address at
24 this time, the stipulation hearing in consolidated
25 cases GR-2008-0060 and GR-2007-0178 is hereby

1 adjourned.

2 I'd like to thank our witnesses from
3 Colorado from the company for video conferencing with
4 us today, and thank you for all of your
5 participation.

6 (WHEREUPON, the stipulation hearing in
7 this case was concluded.)

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	EXHIBITS INDEX	RECEIVED
1	Staff Exhibit No. 1	
2	Direct Testimony of	
3	Mark L. Oligschlaeger	36
4	Staff Exhibit No. 2	
5	Direct Testimony of	
6	Thomas M. Imhoff	36
7	Staff Exhibit No. 3	
8	Direct Testimony of	
9	David M. Sommerer	36
10	Staff Exhibit No. 4	
11	Staff Cost-of-Service	
12	Report	36
13	Staff Exhibit No. 5	
14	Staff Accounting	
15	Schedules	36
16	Staff Exhibit No. 6	
17	Staff Class Cost-of-	
18	Service, Rate Design,	
19	and Miscellaneous	
20	Tariff Report	36
21	Staff Exhibit No. 7	
22	Mr. Oligschlaeger's	
23	errata sheet	38
24	Staff Exhibit No. 8	
25	Mr. Imhoff's	
26	errata sheet	38
27	Staff Exhibit No. 9	
28	(No Exhibit No. 9)	
29		
30	Staff Exhibit No. 10	
31	General service class	
32		

	EXHIBITS INDEX (CONTINUED)	RECEIVED
1		
2	MGU Exhibit No. 1	
3	Direct Testimony of Timothy R. Johnston	36
4	MGU Exhibit No. 2	
5	Direct Testimony of Kent D. Taylor	36
6	MGU Exhibit No. 3	
7	Direct Testimony of James M. Anderson	36
8	MGU Exhibit No. 4	
9	Unanimous Stipulation and Agreement	38
10	MGU Exhibit No. 5	
11	Copy of the revised	
12	appendix	38
13		
14	OPC Exhibit No. 1	
15	Direct Testimony of	
16	Ted Robertson	36
17		
18	OPC Exhibit No. 2	
19	Direct Testimony of	
20	Barbara A. Meisenheimer	36
21		
22	OPC Exhibit No. 3	
23	Direct Testimony of	
24	Barbara A. Meisenheimer	36
25		

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CERTIFICATE OF REPORTER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

I, PAMELA FICK, RMR, RPR, CSR, CCR #447,
within and for the State of Missouri, do hereby
certify that the foregoing proceedings were taken by
me to the best of my ability and thereafter reduced
to typewriting under my direction; that I am neither
counsel for, related to, nor employed by any of the
parties to the action to which this hearing was
conducted, and further that I am not a relative or
employee of any attorney or counsel employed by the
parties thereto, nor financially or otherwise
interested in the outcome of the action.

PAMELA FICK, RMR, RPR, CSR, CCR #447