

1 BEFORE THE PUBLIC SERVICE COMMISSION

2 STATE OF MISSOURI

3 _____
4 TRANSCRIPT OF PROCEEDINGS

5 HEARING

6 December 4, 2006

7 Jefferson City, Missouri

8 Volume 8
9 _____

10 In the Matter of Atmos Energy) Case No. GR-2006-0387
11 Corporation's Tariff Revision)
12 Designed to Consolidate Rates)
13 and Implement a General Rate)
14 Increase for Natural Gas)
15 Service in the Missouri)
16 Service Area of the Company.)

17 _____
18 NANCY M. DIPPELL, Presiding,
19 DEPUTY CHIEF REGULATORY LAW JUDGE.
20 JEFF DAVIS, Chairman
21 STEVE GAW
22 ROBERT M. CLAYTON, III,
23 LINWARD "LIN" APPLING,
24 COMMISSIONERS.
25 _____

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

2 JUDGE DIPPELL: All right. Let's go ahead and
3 go on the record. This is Case No. GR-2006-0387. I'm Nancy
4 Dippell, Regulatory Law Judge for this matter.

5 It is Monday, December 4th, 2006 and we are
6 here to resume our hearing after some delays because of the
7 weather. And we're going to change the schedule around just a
8 little bit to accommodate some witnesses. And if there are
9 Commission questions for the witnesses that we had on
10 Thursday, if those witnesses aren't available, we're going to
11 attempt to reach them by telephone and we'll just take it from
12 there. I'm happy to see that everyone is at least safe after
13 the storm.

14 So we're going to begin with Mr. Ensrud for
15 Staff. And, Mr. Dority, did you have something you wanted to
16 say before we begin?

17 MR. DORITY: I did, your Honor, thank you.
18 The company witness for issue No. 4, which is what I
19 understand we are moving to today, what are the appropriate
20 miscellaneous charges, is Mr. Mike Ellis. Mr. Ellis is in
21 transit this morning. He will be here arriving around noon or
22 one o'clock this afternoon.

23 It's my understanding from counsel that they
24 have no questions for Mr. Ellis and I was wondering if
25 perhaps, just to keep the record straight here, if in terms of

1 order of witnesses, if I might go ahead and offer his
2 testimony into the record and if the Commissioners have any
3 questions later today for Mr. Ellis, as I say, he will be here
4 and available to respond.

5 JUDGE DIPPELL: Okay. I see no problem with
6 that. Would there be any objection to Mr. Ellis' testimony?
7 And what were those numbers?

8 MR. DORITY: Mr. Ellis had Direct Testimony,
9 which has been previously marked as Exhibit No. 10. I would
10 mention, your Honor, that we had a correction to one of the
11 schedules that was attached to Mr. Ellis' testimony and that
12 is Schedule MHE-1. There were some corrections to that.

13 Counsel was previously provided copies of that
14 schedule prior to the hearing getting started last week. And
15 I would also note that the copy that was provided to the court
16 reporter is the corrected schedule.

17 So the only question I would be asking
18 Mr. Ellis, if he were here, was if he had any corrections to
19 his schedule and those have been incorporated. So I just
20 wanted to note that for the record.

21 JUDGE DIPPELL: And do I and the Commissioners
22 have a copy of that? Has it been --

23 MR. DORITY: I --

24 JUDGE DIPPELL: I can't recall what you gave
25 me.

1 MR. DORITY: I do have copies available for
2 you, Judge.

3 JUDGE DIPPELL: Okay. Do you have any --

4 MR. DORITY: May I approach?

5 JUDGE DIPPELL: Yes. Okay. Would there be
6 any objection to Exhibit No. 10 as corrected?

7 MR. POSTON: No, your Honor.

8 JUDGE DIPPELL: Seeing no objection, then I
9 will admit Exhibit No. 10 into evidence.

10 (Exhibit No. 10 was received into evidence.)

11 MR. DORITY: Thank you, Judge.

12 JUDGE DIPPELL: By what means of
13 transportation is Mr. Ellis traveling today?

14 MR. DORITY: He's flying in.

15 MR. BERLIN: Judge --

16 JUDGE DIPPELL: Yes, sir.

17 MR. BERLIN: -- I would like to note for the
18 record that before we left the hearing, I think it was on
19 Thursday, I had a question to Mr. Gary Smith who punted the
20 question to Mr. Ellis, so I will have a question --

21 JUDGE DIPPELL: Okay. You will have a
22 question. Okay.

23 MR. BERLIN: -- of Mr. Ellis --

24 JUDGE DIPPELL: Okay.

25 MR. BERLIN: -- when he comes in.

1 MR. FISCHER: Judge, I would also note that if
2 Mr. Ellis for some reason does not arrive, Mrs. Childers can
3 handle that question today.

4 JUDGE DIPPELL: Okay. Okay. All right then.
5 I think then we're ready to begin with Mr. Ensrud.

6 MR. REED: May I?

7 JUDGE DIPPELL: Go ahead.

8 MICHAEL J. ENSRUD testified as follows:

9 DIRECT EXAMINATION BY MR. REED:

10 Q. State your name for the record, please.

11 A. My name is Michael J. Ensrud.

12 Q. Spell your last name.

13 A. E-n-s-r-u-d.

14 Q. Mr. Ensrud, did you prepare and -- prepare for
15 filing in this case testimony?

16 A. Yes, I did.

17 Q. Those were direct, corrected direct, rebuttal
18 and surrebuttal. Correct?

19 A. Correct. Four documents.

20 Q. All right. I believe the direct is
21 Exhibit No. 114, the rebuttal is Exhibit No. 115, the
22 surrebuttal is Exhibit 116 and the corrected direct is
23 Exhibit 117. Am I right?

24 A. I'm uncertain as to the numbers assigned.

25 JUDGE DIPPELL: That's correct.

1 MR. REED: Thank you.

2 BY MR. REED:

3 Q. Do you have any corrections to any of that
4 testimony that you prepared?

5 A. Yes. In relation to the surr-- or the
6 rebuttal -- or no, surrebuttal. What I have was on page 6,
7 lines 9 and 10. What reads, Likewise, nothing provided
8 to-date refutes NSF costs and the transfer costs rates
9 proposed.

10 And I would strike "rates proposed by Staff."
11 It should read, Likewise, nothing provided to date refutes NSF
12 costs and the transfer costs used by Staff. That's the first
13 correction.

14 The second one is on Surrebuttal Testimony,
15 page 9, line 5. The way it reads today is, Atmos' proposal is
16 a good transition formula method of allocation whose time has
17 passed, but a continuation of a long-standing practice -- and
18 this says -- has merit.

19 What I would -- the change I would propose is,
20 Atmos' proposal is a good transition formula method of
21 allocation whose time has passed, but a continuation of a
22 long-standing practice that has merit.

23 So with those two changes, plus the changes
24 that are in the surrebuttal that -- that correct -- or in the
25 corrected direct that correct certain statements in the Direct

1 Testimony, that -- that would be my testimony today.

2 Q. Can you tell us why you filed corrected
3 direct?

4 A. Yes. There were two DRs that -- that came
5 late. And I did not have time to incorporate the -- the facts
6 that were in that case. The changes that were provided did
7 not change my conclusions, however.

8 Q. With those corrections, if you were to testify
9 live and in person today, would it be the same as the way you
10 testified in these pieces of testimony?

11 A. Yes, it would.

12 MR. REED: At this time, Judge, I would move
13 for admission of pet-- I'm sorry, of the Staff's Exhibits
14 Nos. 114, 115, 116 and 117.

15 JUDGE DIPPELL: Would there be any objection
16 to Exhibits 114 through 117?

17 MR. DORITY: No objection.

18 JUDGE DIPPELL: Then I will receive those into
19 evidence.

20 (Exhibit Nos. 114, 115, 116 and 117 were
21 received into evidence.)

22 MR. REED: And I tender the witness for
23 cross-examination.

24 JUDGE DIPPELL: Thank you. Is there any
25 cross-examination from Atmos?

1 MR. DORITY: No questions, Judge.

2 JUDGE DIPPELL: Let's see. I guess I should
3 have started this morning by noting who was present and who
4 wasn't present. I do not see anyone present as counsel for
5 Hannibal Regional or Noranda and we dealt with that on
6 Thursday so --

7 Public Counsel, any cross-examination?

8 MR. POSTON: Yes, I do. A few moments ago I
9 advised the parties that I did not, but that has changed. I
10 do have one question. And it's about the main extension
11 policy proposal. On page 13 of --

12 MR. DORITY: Your Honor, I'm sorry. I thought
13 we were going to be handling that issue later today. I
14 understood that we were at issue No. 4, which is the
15 appropriate miscellaneous charges. And I believe the main
16 extension is the other tariff issues, No. 7, that would be
17 addressed later on today at some point.

18 Mr. Poston, is that your understanding?

19 MR. POSTON: Yes. I did it again. Sorry.

20 JUDGE DIPPELL: Okay. No problem. So you
21 have no questions at this time for Mr. Ensrud?

22 MR. POSTON: No questions. Thank you.

23 JUDGE DIPPELL: All right. Hold on just one
24 moment. I seem to be having some technical difficulties with
25 the transmission.

1 Okay. Well, I don't have any questions for
2 you at this time, Mr. Ensrud, but I would ask you to remain
3 available. We may have some additional questions from the
4 Commission later on this topic when you come to testify on
5 your others.

6 THE WITNESS: All right. Thank you.

7 JUDGE DIPPELL: All right. Thank you. You
8 can step down for now.

9 Okay. So the next I believe is
10 Ms. Meisenheimer on the miscellaneous charges issue.
11 Ms. Meisenheimer, you were previously sworn so --

12 THE WITNESS: Yes.

13 JUDGE DIPPELL: -- you remain under oath. And
14 your exhibits were also previously admitted, including the
15 information on this topic. So is there any -- we'll just go
16 then straight to cross-examination.

17 Is there any cross-examination from Atmos?

18 MR. DORITY: No questions, your Honor.

19 JUDGE DIPPELL: From Staff?

20 MR. REED: No, thank you.

21 JUDGE DIPPELL: Okay. Hold on just one
22 moment.

23 Okay. Okay. I don't believe I have any
24 questions for you at this time either, Ms. Meisenheimer.

25 THE WITNESS: Okay. Thank you.

1 JUDGE DIPPELL: The Commissioners may have
2 questions for you later.

3 Shall we move on then to the PGA district
4 consolidation issue?

5 MR. DORITY: Just a moment, Judge.

6 Yes, your Honor. Issue No. 6 is correct.
7 Thanks.

8 JUDGE DIPPELL: Okay. I was looking to see if
9 there were any other housekeeping things that we could take
10 care of since we're getting kind of --

11 MR. BERLIN: Judge, I can offer one
12 housekeeping matter.

13 JUDGE DIPPELL: Okay. Mr. Berlin.

14 MR. BERLIN: In my opening statement, I used a
15 map of the Atmos service areas.

16 JUDGE DIPPELL: Yes.

17 MR. BERLIN: And I have premarked that as
18 Exhibit 100 and I had handed that out during the course of my
19 opening statement and I would like to move that that be
20 admitted into evidence.

21 JUDGE DIPPELL: Would there be any objection
22 to that Exhibit No. 100?

23 Seeing none, then I will admit Exhibit 100
24 into evidence.

25 (Exhibit No. 100 was received into evidence.)

1 JUDGE DIPPELL: Okay. I will remind everybody
2 to turn off your cell phones or other wireless devices if you
3 haven't done so already.

4 MR. BERLIN: Judge, could I ask a tech-- I
5 have to ask a technical question while we have our
6 technical --

7 JUDGE DIPPELL: Do we need to take a break?

8 MR. BERLIN: That might be helpful. Just a
9 few minutes.

10 JUDGE DIPPELL: Okay. Let's go off the record
11 just for like five minutes and plan to resume at a quarter
12 after 9:00.

13 (Off the record.)

14 JUDGE DIPPELL: Okay. Let's go back on the
15 record. Okay. We're going to continue on the PGA district
16 consolidation. So shall we start with Ms. Childers; is that
17 correct?

18 MR. DORITY: Yes, Judge.

19 MR. FISCHER: Yes. Yes, Judge.

20 JUDGE DIPPELL: Okay. And, Ms. Childers, you
21 were previously sworn also, so you remain under oath.

22 THE WITNESS: Yes.

23 JUDGE DIPPELL: You can be seated.

24 THE WITNESS: Thank you.

25 JUDGE DIPPELL: Thank you. And your exhibits

1 were also previously admitted into evidence in their entirety
2 so we'll just go ahead and begin with cross-examination.

3 Is there any cross-examination from Staff?

4 MR. BERLIN: Staff has no questions, Judge.

5 JUDGE DIPPELL: Is there any cross-examination
6 on this issue from Public Counsel?

7 MR. POSTON: No questions. Thank you.

8 JUDGE DIPPELL: Okay. I'll ask to take just
9 one moment and we'll see if there's questions from the Bench.

10 COMMISSIONER CLAYTON: Thank you, Judge.

11 Just a few preliminary questions and I
12 apologize that I'm in a bit of a rush this morning. Last week
13 threw, I think, everybody off, including me and I just wanted
14 to be clear. Public Counsel doesn't have any
15 cross-examination. Does that mean that you all are in
16 agreement on the issue or did you all already conclude your
17 cross-examination?

18 MR. POSTON: No. We just -- there's no --
19 we've just determined there's no questions we want to ask this
20 witness, but that does not mean we have resolved this issue.

21 COMMISSIONER CLAYTON: Okay. So you don't
22 agree, but you're not challenging any of the assertions made
23 by the witness; is that correct?

24 MR. POSTON: Not through cross-examination.

25 COMMISSIONER CLAYTON: Not through

1 cross-examination. Who is the witness that will be addressing
2 PGA consolidation for Office of Public Counsel?

3 MR. POSTON: Ms. Meisenheimer.

4 COMMISSIONER CLAYTON: And has she already
5 testified?

6 MR. POSTON: On this issue, no.

7 COMMISSIONER CLAYTON: On this issue, no.

8 Okay. Okay. Thank you.

9 PATRICIA J. CHILDERS testified as follows:

10 QUESTIONS BY COMMISSIONER CLAYTON:

11 Q. Ms. Childers, apologize for -- I don't even
12 have my stuff all organized here yet. Could you just briefly
13 summarize -- there are two different issues associated with
14 consolidation, I believe; one relating to district
15 consolidation and PGA consolidation. Would you briefly
16 summarize both of those positions and tell me if there's any
17 difference between those issues?

18 A. Yes, sir. The company in its original filing
19 had proposed uniform statewide base rates. I'm sorry. We had
20 proposed a uniform, consolidated statewide purchased gas
21 adjustment and we had proposed going from the six current base
22 districts to three.

23 We reviewed Staff's recommendations and where
24 Staff is recommending not going to a consolidated statewide
25 PGA but going to four, we are willing to accept that

1 recommendation. We feel like that's a move in the right
2 direction. They have grouped the areas geographically by the
3 pipelines that serve those areas.

4 Q. What was the difference in -- if Atmos wanted
5 to go to -- was it three districts and Staff recommends four
6 districts? What is the difference between those two
7 positions?

8 A. Well, the company had recommended a
9 consolidated statewide PGA. Staff's recommending four.

10 Q. So just one -- so just one --

11 A. Yes, sir.

12 Q. So just one PGA?

13 A. We had recommended one, yes, sir.

14 Q. Okay. Well, I misunderstood -- when you said
15 we wanted to go to three, I misunderstood what -- basically
16 the company in its original filing wanted to go to one unified
17 PGA for all of its districts. Correct?

18 A. That is correct.

19 Q. Staff came in and made a recommendation of
20 four districts rather than the seven -- aren't there seven?

21 A. Yes, sir.

22 Q. Okay. And Atmos has come around to -- and
23 agrees with that effort at consolidation?

24 A. Yes, sir. And if you look at the PGAs that
25 the company has most recently filed, I believe we filed the

1 PGAs in November to be effective in December. The PGAs are
2 very close with the exception of the ACA factor, which will
3 run for 12 months to recover or refund any over- or
4 under-recovery. And if you just look at the PGAs without that
5 ACA factor, they are, in fact, very close and considerably
6 lower than the PGAs that were in effect previously.

7 Q. Who has the highest PGA among all the
8 individual districts at this time, do you know?

9 A. I believe I do have that with me, if you could
10 just bear with me --

11 Q. Sure. Sure.

12 A. -- for a moment. Neelyville and Greeley are
13 very, very close.

14 Q. Do you know what those are offhand?

15 A. Yes. Neelyville is 1.1779.

16 Q. 1.1--

17 A. 779. And Greeley is 1.15.

18 Q. Okay. Do you have all the PGAs that are close
19 by there?

20 A. Yes, sir, I do.

21 Q. Let me ask you this. Where does the gas come
22 from that services the territory of Neelyville and Greeley?
23 What pipeline?

24 A. Let's see.

25 Q. I need a geography lesson. That's basically

1 --

2 A. I think I may need one myself. I can tell you
3 the pipelines that serve the SEMO area. I don't recall off
4 the top of my head which pipeline serves the Greeley area.

5 Q. So you don't know where the gas comes from?

6 A. No. I can -- I can probably get that pretty
7 quickly for you.

8 Q. Maybe we can -- I'm sure that's not that
9 difficult. I've got a pipeline chart up in my office I'm sure
10 I could find.

11 How about SEMO? Where does that -- what
12 pipeline serves --

13 A. SEMO has several suppliers to that area,
14 Natural Gas Pipeline, TECO, which is Texas Eastern
15 Transmission, and MRT, which is Mississippi River
16 Transmission.

17 Q. And SEMO, is it basically Gulf of Mexico gas?

18 A. Yes. All of the gas is, yes.

19 Q. Yeah. Okay. And we don't know where
20 Neelyville/Greeley comes from?

21 A. No, sir. Not off the top of my head.

22 Q. What's the PGA in the SEMO district right now?

23 A. The current -- well, the most recently filed
24 PGA for SEMO is .9513.

25 Q. Okay.

1 A. And I would like to add that the commodity
2 cost of gas within all of the currently filed PGAs is
3 approximately -- I think it's 850 an MMBtu. So the commodity
4 cost within the PGAs is consistent within all of the filings.
5 Again, it's the ACA component that results in some difference.

6 Q. Why is the commodity the same price for each
7 of the territories considering they're -- the commodity comes
8 from different places and most likely would be placed at
9 different levels?

10 A. The PGA filings that we make, we use the NYMEX
11 pricing, which is one price for all of the areas. The only
12 difference added to that NYMEX would be any sort of basis
13 differential. And it's really a small component of the total
14 PGA. It's so many cents per MMBtu.

15 Q. So can you turn that on the flip side and say
16 that's what Atmos is paying? It's paying a NYMEX rate with a
17 differential and then you turn around and apply that to
18 consumers. Am I understanding that?

19 A. Most of our contracts are tied towards a NYMEX
20 or -- yes, that's correct.

21 Q. Okay. What is the -- and I think the
22 districts Canton, Bowling Green, Hannibal, Palmyra are all
23 very close. Do you know what those PGA rates are?

24 A. Yes, sir. Bowling Green, Hannibal, Canton and
25 Palmyra is .8407.

1 Q. Okay. And is Kirksville any different?

2 A. Kirksville is actually .6860.

3 Q. .6860?

4 A. And, of course, the PGAs that I've recited
5 here do include the ACA components. So that, again, accounts
6 for the variants. The commodity cost within all those --

7 Q. So the --

8 A. -- filings is the same.

9 Q. Excuse me. I'm sorry. I hate to interrupt
10 you. The Kirksville rate, rather than reflecting a lower
11 commodity cost, probably reflects an over-collection?

12 A. Yes, sir.

13 Q. Okay. So then the consumer would be paid back
14 in accordance with that rate?

15 A. Yes, sir.

16 Q. Now, the four districts proposed by Staff
17 would consolidate Hannibal, Palmyra, Bowling Green and Canton.
18 And I know some of them may already be combined at this time,
19 but it would consolidate all of those. That would be one
20 district. Kirksville would be a second district. Southeast
21 Missouri is a third district. Neelyville's a -- Neelyville
22 and Greeley are a fourth district?

23 A. Neelyville will actually be included with the
24 SEMO district. Butler and Greeley would be a district. And
25 you were correct about the Kirksville and the other.

1 MR. FISCHER: Judge, I think Staff has
2 prepared an exhibit that might be helpful if you want to put
3 that on the Smart Board there that lays that out.

4 COMMISSIONER CLAYTON: Has it already been
5 submitted?

6 MR. FISCHER: I don't know that it's been
7 sub--

8 COMMISSIONER CLAYTON: I know this is
9 repetition, so I apologize.

10 MR. FISCHER: No, it's -- we haven't gone over
11 this ground. It's just I was aware that there was an exhibit
12 that they had available.

13 JUDGE DIPPELL: And is that the HC exhibit?

14 MR. BERLIN: Yes, it is.

15 JUDGE DIPPELL: Okay. Do you want to go ahead
16 and --

17 MR. BERLIN: Judge, I don't know. Perhaps
18 Commissioner Clayton might be referring to Exhibit 100. That
19 was the map I used on my opening statement.

20 COMMISSIONER CLAYTON: That would presume that
21 I'm aware of what exhibits have actually been offered and
22 accepted.

23 COMMISSIONER APPLING: Are you talking about
24 this (indicating)?

25 MR. BERLIN: Commissioner Appling held up the

1 exhibit.

2 JUDGE DIPPELL: This is the --

3 MR. BERLIN: I have another copy.

4 JUDGE DIPPELL: -- Exhibit 100, which is the
5 proposed district consolidation areas.

6 COMMISSIONER CLAYTON: Oh, good. Okay. Well,
7 give me just a second to -- may I have a moment to review this
8 exhibit?

9 MR. DORITY: May I approach?

10 BY COMMISSIONER CLAYTON:

11 Q. Ms. Childers, are you --

12 A. Yes, sir.

13 Q. -- finished reviewing?

14 A. Yes.

15 Q. I know I was reviewing and then I looked over
16 and you were still looking down. I didn't want to surprise
17 you.

18 Why is there a need for having two districts,
19 one in kind of the northeast region and one in Kirksville? Do
20 you know the answer -- the rationale for that? Is Kirksville
21 serviced by a different spur or a different offshoot from the
22 pipeline? Does it come from Iowa?

23 A. I don't know the answer to that question.

24 Q. Okay.

25 A. Even -- even with these glasses, it's very

1 hard to read this map.

2 Q. Yeah, I know. I understand.

3 A. I apologize.

4 Q. The territories in the northeast region are
5 serviced by an Atmos spur that travels all the way up, I
6 assume, to these northeastern-most towns; is that correct?

7 A. It appears that way.

8 Q. Do you all have -- are you aware of whether
9 Atmos has any customers that are served directly off the
10 pipeline on the spurs on the way up?

11 A. Are you -- are you referring to farmtap-type
12 customers?

13 Q. Yes.

14 A. No, sir, we do not in Missouri. We do not.

15 Q. You have no farmtap customers at all?

16 A. We have no farmtap customers.

17 Q. So you've got all that pipeline out there but
18 nobody draws off of it unless it gets into a city gate?

19 A. I guess that would be -- yes, I guess that
20 would be the assumption. I know for a fact that we do not
21 have any farmtap customers.

22 Q. When you say you don't have farmtap customers,
23 do you mean that you don't have the allegedly unregulated
24 customers out there or that you just include any taps that
25 come off your intrastate pipeline, you just include them under

1 your tariff?

2 A. We include them under our tariff.

3 Q. Okay. So there are some rural folks that
4 would be drawing some natural gas off the line?

5 A. Yes. They're just not -- we do have farmtap
6 customers off Panhandle Illinois, but not -- not in the state
7 of Missouri.

8 Q. Okay.

9 A. Your statement was correct.

10 Q. So they're tariffed?

11 A. Yes.

12 Q. Those customers have -- whether the benefit or
13 whatever of tariffs being in place, are those tariffs separate
14 and apart from the tariffs for each district?

15 A. No, sir, they're not.

16 Q. So they're the same. If they're close to
17 Hannibal, they're under the Hannibal district?

18 A. That would be correct.

19 Q. Okay. If they're close to -- if they're close
20 to LaGrange, they're probably under the Canton tariff?

21 A. That would be correct.

22 Q. Okay. That would be for both PGA purposes as
23 well as the actual distribution cost of gas?

24 A. Yes, Commissioner.

25 Q. Okay. All right. That is helpful. I need to

1 go back and ask you once again, to explain how each of the
2 PGAs are established using an identical commodity price
3 considering that the gas comes from different places. And
4 I've been known to make mistakes on understanding the PGA and
5 ACA process so bear with me.

6 With gas coming from different places,
7 presumably it's priced in different ways and may be completely
8 different from what the NYMEX price may be on a given day.
9 Explain to me how all these customers can be paying the same
10 commodity price.

11 A. As you're aware -- and I'm not the -- a PGA
12 expert, but I'll do -- do my best.

13 Q. You're more of an expert than I am, so just go
14 ahead and fire away.

15 A. We file three or four PGAs I believe in the
16 state of Missouri. In some states we file monthly, in some
17 places we file quarterly, but in Missouri we file three or
18 four times a year. The PGA filing that we make, we look for
19 using the NYMEX and that's the commodity cost that we put in
20 the filing. And, yes, it is generic within all of the -- the
21 various PGAs that we file today.

22 Of course, we also have the actual cost
23 adjustment or annual cost adjustment. I'm not sure which one
24 it's called in Missouri, but nevertheless, that's the -- the
25 true-up between the actual cost that we incur and the -- the

1 costs that we estimated for our PGA filing.

2 So, yes, although we do use one generic NYMEX
3 price, yes, there actually is different cost and it's going to
4 be reflective of any basis differential. Again, which is not
5 that significant a component in the rate, however, that would
6 result in an under-or over-estimate from actual or under/over
7 cost, actual versus estimate.

8 That's the way we've done the PGA for as long
9 as I can remember. And it's not precise in the filing, but
10 then again, as we do the true-up, the customers are made
11 whole.

12 Q. Okay. Can you tell me why the PGA is so much
13 higher in the western district, Butler/Greeley area, when it's
14 serviced by the same pipeline that would service the
15 northeastern territory?

16 A. It would have to be attributable to the ACA.
17 I can't -- I can't think of another reason why it would be
18 different. There -- there are reservation costs and some
19 storage costs, but again, I think those are rather negligible
20 too.

21 Q. But they would be -- they'd be payable by each
22 of the groups. It just suggests because the pipeline is
23 longer to get to the Hannibal/Canton/Kirksville area that the
24 transportation costs would be higher?

25 A. Yes, sir.

1 Q. The ACA would be reduced for Butler. Is there
2 an intrastate pipeline that services that area? Is that your
3 spur that gets down to Butler?

4 A. All of the -- all of the pipelines are
5 interstate pipelines supplying our Missouri areas.

6 Q. Intrastate?

7 A. Inter.

8 Q. Well, the Panhandle Eastern Pipeline is the
9 interstate, but what is the -- how does the gas get from that
10 pipeline into Butler and these other communities here in
11 Bates, Henry and St. Clair County? I assume that would be
12 just a spur off the pipeline that you all would have, I'm
13 assuming.

14 A. You've -- you've really asked me a question
15 that I just don't know. I'm -- apologize.

16 Q. Okay. Just looking at the PGA rates, it
17 just -- intuitively it appears to me that -- or appears -- I
18 don't understand why the gas would be more expensive in the
19 Butler/Greeley western district as it would be in the
20 northeast, but perhaps Staff can work that out and explain
21 that to me when they come up.

22 A. Staff might actually have much better
23 information. I know they look at the PGAs on a routine basis
24 and probably know the specific make-ups of the PGA better than
25 I do.

1 Q. Okay. So Atmos and Staff have reached a -- I
2 guess we'd say a non-unanimous agreement of some sort or at
3 least identical position in having the consolidation of four
4 districts that have been identified; is that correct?

5 A. Yes, sir.

6 Q. Okay. And other than Staff and Atmos being in
7 agreement, OPC is opposed to it I believe at this point; is
8 that correct?

9 A. That's my understanding.

10 Q. Are any other parties involved in this case
11 opposed to that agreement?

12 A. Not to my knowledge.

13 COMMISSIONER CLAYTON: Okay. Is there
14 anyone -- any of the attorneys, is that incorrect, that
15 statement?

16 MR. FISCHER: Yes, Judge, you're correct on
17 that. The list of issues does not include any of the other
18 Intervenors as opposing to or taking a position on this issue.

19 BY COMMISSIONER CLAYTON:

20 Q. Okay. Now, on the distribution cost
21 consolidation issue, that is also your issue; is that correct?

22 A. Yes, sir.

23 Q. All right. And is there an agreement on that
24 issue?

25 A. Yes, sir.

1 Q. Okay. And could you describe that
2 non-unanimous agreement or stipulation?

3 A. The -- the company's proposal and the Staff's
4 recommendation as far as the consolidation of the base rates
5 was essentially the same. We had consolidated regionally as
6 had the -- as had the Staff as well.

7 Q. And that would be just a complete
8 consolidation --

9 A. No, sir.

10 Q. -- or the same four districts?

11 A. That would be -- actually for the base rates
12 it would be three -- three sets of districts per se. You
13 would have SEMO and Neelyville; you then would have Butler and
14 Greeley; and then you would have Kirksville, what used to be
15 the old United Cities Gas, which would be Hannibal, Canton,
16 Bowling Green and Palmyra. So you would basically have a
17 south, north and west central.

18 Q. And Staff's in agreement and Atmos are in
19 agreement on that consolidation?

20 A. Yes, sir.

21 Q. All right. Can you identify for me what that
22 would mean in base rate adjustments as compared to current
23 rates for customers in the southeastern Missouri region?

24 A. I believe I can. Just bear with me for a
25 moment. Attached to my surrebuttal, which is Exhibit 2,

1 page 2 of 2, this would reflect using the most current --
2 really looks at the total bill, but it does -- it does use the
3 most current PGAs that we file.

4 But, for example, the SEMO district, the
5 overall impact in the bill for the customer would be an
6 increase of \$3.16, and that's on line 30. And that, again,
7 would include the base rate and the PGA. The PGA is like
8 80 percent of the bill and so, you know, it's reasonable to
9 include that in any sort of calculation to demonstrate impact
10 to the customer.

11 Q. But this would be taking into consideration
12 new rates as well?

13 A. Yes, sir.

14 Q. I mean new -- I mean all adjustments.
15 Correct?

16 A. Yes, sir. And then that would be the SEMO
17 district. And then, for example, if you go to line 10, which
18 is the Kirksville rate -- and Kirksville currently has the
19 lowest base rate, I might point out. But the impact there on
20 line 10 would be \$105.49 or 12.4 percent increase compared to
21 4/10ths in the SEMO area.

22 And, again, that's looking at the Staff's
23 recommended consolidation of base into three districts and the
24 recommendation of the current seven PGAs into four. So that
25 exhibit reflects the overall impact.

1 Q. Can we focus on column D for a second, which
2 would be the --

3 A. Yes, sir.

4 Q. -- the delivery charge?

5 Would that be the -- would that be the
6 accurate -- all non-PGA costs --

7 A. Yes, sir, that's correct.

8 Q. -- right there?

9 Okay. I guess we can call that the base
10 rate --

11 A. Yes.

12 Q. -- cost? Okay. Sometimes I want to make sure
13 we use the right terminology.

14 Can you tell me how different -- just focusing
15 on residential firm service, is there a way to tell the cost
16 of residential firm service for each district, whether it goes
17 up or down by looking at this chart, just on the delivery
18 charge?

19 A. No, sir.

20 Q. Do you know what the delivery charge is for
21 each of those districts --

22 A. I know --

23 Q. -- off the top of your head?

24 A. I know what the current rates are. Is that
25 what you would like the comparison of?

1 Q. Yeah. I guess I just --

2 A. If you look at --

3 Q. My confusion is that the dollar change takes
4 into consideration both the PGA and the delivery. And I
5 wanted to be able to identify changes that we would make on
6 each part of the bill is what I'm trying to do.

7 A. Yes. I understand. Unfortunately, that's not
8 shown on this schedule. If you do look at page 1 of that same
9 exhibit, you can look at the current -- for example, on
10 line 1, the current customer charge for Butler is \$7 and then
11 you can look over in the third column and see what the current
12 base rate is. But I haven't -- haven't done an exhibit that
13 would use a typical consumption level to show you how that
14 would compare to the \$19.43 on page 2 of 2.

15 Q. Is that an apples-to-apples comparison? If we
16 look at line 1, Butler residential firm service, the current
17 customer charge or delivery charge is \$7 and that would go up
18 to \$19.43?

19 A. It is not an apples-to-apples comparison. To
20 the \$7 you would have to multiply the -- on page 1 of 2,
21 you'd have to multiply the .1794 -- excuse me .17954 CCF times
22 a usage level and then compare that to the 19.43.

23 Q. And what is that? So you'd have to multiply
24 7 times .1--

25 A. No. You would mult-- the \$7 is the monthly

1 customer charge under the current rate design. To that you
2 would have to multiply, for example, the usage of 761 CCF
3 times the .17954 and then would you have to add those two
4 together. And that would be the apples-to-apples comparison
5 with the \$19.43.

6 Q. I see. So you're eliminating the volume
7 pricing --

8 A. Yes, sir.

9 Q. -- and going to fixed charge there. So that's
10 part of the rate design proposal as well?

11 A. Yes, sir.

12 Q. Okay. Okay. When Atmos filed its total rate
13 increase -- or filed its rate adjustment request in this case,
14 what was the percentage increase in bills that were estimated
15 for customers in general? Was there just a general
16 percentage?

17 A. I'm sure there was, but quite honestly, I
18 don't recall what that overall percentage was.

19 MR. FISCHER: Does 5 percent sound right?

20 THE WITNESS: That sounds right. And that
21 would be with the PGA I believe, Mr. Fischer, involved,
22 5 percent.

23 BY COMMISSIONER CLAYTON:

24 Q. So that was in general, 5 percent. For any of
25 these districts under the non-unanimous agreement right now,

1 does anyone have greater than a 5 percent increase in rates?

2 A. In the overall bill?

3 Q. Yes.

4 A. Yes. That would be the Kirksville area, which
5 would be the 12 and -- 12.4 percent. They would have the
6 highest. But, again, currently they're paying the lowest of
7 any of the districts. Kirksville's commodity rate or rate per
8 CCF, for example, is .075 a CCF where the others are like .179
9 or .252. So they are -- their charge today is significantly
10 less than the others; therefore, the impact to -- to
11 Kirksville would be a little higher.

12 Q. Well, if we were to adopt this kind of general
13 agreement, if the Commission were to adopt that, would
14 Kirksville customers still be made whole from the overpayments
15 that they've made in past PGA?

16 A. Yes, they would.

17 Q. They would?

18 A. Yes. The ACA factors in place today, or the
19 balance, if you will, will run for -- it will run for as long
20 as it needs to to zero that out -- as close to zero as we can
21 possibly get. And that was Staff's recommendation and the
22 company accepts their -- their recommendation in that regard.

23 Q. In your surrebuttal, Exhibit 2, page 2 of 2
24 that you referred me to earlier --

25 A. Yes, sir.

1 Q. -- the delivery charge, if I'm reading this
2 properly, would reflect three districts. The Butler district
3 would be -- Butler and Missouri G would be one district at the
4 19.43 price; the second would be the Kirksville, Missouri P
5 and Missouri U for the delivery charge of 20.61; and then the
6 third, the SEMO district of 13.92.

7 A. Yes. Yes, sir, 13.92 would be SEMO and
8 Neelyville.

9 Q. And Neelyville. So that would be an accurate
10 reading on my part --

11 A. Yes, sir.

12 Q. -- of the three districts?

13 Okay. Now, the delivery charge that is listed
14 for each of those districts, that fixed charge would be -- it
15 would be a fixed delivery charge without any volumetric
16 pricing. Correct?

17 A. That's -- that's correct. Absent the PGA,
18 which would remain volumetric.

19 Q. For just delivery cost, distribution cost?

20 A. Yes, sir, that's correct.

21 Q. All of those would fall within these fixed
22 charges?

23 A. Yes.

24 Q. And the costs on which these delivery charges
25 are based in each of these districts would be -- these rates

1 reflect the cost of providing that distribution cost within
2 those districts?

3 A. Yes, sir.

4 Q. So they're district-specific pricing?

5 A. Yes.

6 Q. The Butler district or the western district is
7 very close to the northern or northeastern district. Why is
8 the SEMO/Neelyville district, I guess you could say 33, 35
9 percent lower? Why are the costs in southeast Missouri
10 35 percent lower than they would be in the northern areas?

11 A. We did not -- we did not shift any costs
12 within the -- or outside between district to district. We
13 took the current cost and the current -- current revenues and
14 tried to stay revenue neutral within the limited consolidation
15 that we made. A lot of the differences are going to be the
16 result of the many acquisitions that Atmos has had over the --
17 you know, the two or three properties that have been acquired.

18 Q. So if I were to make the statement that the
19 distribution costs are -- the pipes in the ground, the meters,
20 the servicemen and women who would be serving each of these
21 districts, is there any physical reason why costs are
22 35 percent lower in southeast Missouri than in the other
23 areas?

24 A. Well, the cost of providing service to the
25 customers would be the same. I mean, everybody benefits from

1 the same call center, the -- you know, the same billing
2 function and so forth. But you do have different plant
3 investment in those districts.

4 Q. So it's a difference between -- it's a
5 difference in actual --

6 A. I believe.

7 Q. -- plant in service?

8 A. I believe it would be the plant in service.

9 Q. And you're sure about that or you're making a
10 stab at it just to --

11 A. I'm -- I'm giving you my opinion.

12 Q. Your opinion. Okay. Well, in addition to
13 that, presumably being in the southern side of the state, they
14 would have lower usage of natural gas and yet their prices are
15 still lower even though they have lower amount of usage than
16 other parts of the state. Do you have any additional
17 explanation for that?

18 A. No, sir.

19 Q. Would anyone have an explanation for that or
20 who would?

21 A. You know, I'm -- I'm thinking that Staff
22 Witness Ms. Ross may. I hate to --

23 Q. That's all right.

24 A. -- punt to Ann, but --

25 Q. That's the most efficient thing to do. If you

1 got to punt, do it quickly and move on.

2 Okay. Can you tell me in total -- you
3 mentioned that in Kirksville they would have the highest
4 increase of 12.4 percent. Are you able to identify a
5 percentage for each of the other six or seven districts?

6 A. Yes, sir. That's, again, on page 2 of 2.

7 Q. Yeah. Oh, the percentage change of column K?

8 A. Yes, sir.

9 Q. There it is. Good. Good. Thank you. Can
10 you explain to me the difference between residential firm
11 service, small general service and medium general service?

12 A. The small and medium general service, we have
13 split the current category of just general service, which
14 would be non-residential and we are accepting Staff's
15 recommendation as to the volume break. And I believe -- if
16 you'll bear with me here.

17 Q. So it's purely a volume usage difference --

18 A. Yes, sir.

19 Q. -- and --

20 A. Yes, sir. And that was as suggested by Staff
21 Witness Ms. Ross. And I believe the small general service,
22 the average annual usage will be 1,320 CCF and the medium,
23 7,300 CCF.

24 Q. I'm sorry. How much was that again?

25 A. 7,300 CCF for the medium service, I believe,

1 and the small general service would be 1,320. Again, Ms. Ross
2 might want to -- to either verify that or -- or tell me that I
3 misspoke.

4 Q. What I'm asking about are other issues that --
5 I want to make sure you don't get on a plane and leave before
6 I have a chance to ask you, but I don't know if now's the
7 appropriate time.

8 COMMISSIONER CLAYTON: And, Judge, I had
9 questions about rate design and customer service. Is now the
10 appropriate time or -- I'm more than happy to wait. If
11 Commissioner Appling has questions on the consolidation
12 issues, I will certainly defer.

13 JUDGE DIPPELL: Ms. Childers is the person
14 that's going to testify regarding customer service; is that
15 correct?

16 THE WITNESS: Yes, that's correct.

17 JUDGE DIPPELL: And we have not gotten to that
18 yet.

19 COMMISSIONER CLAYTON: Okay.

20 JUDGE DIPPELL: We touched on rate design on
21 Thursday with Mr. Smith as the company witness and he was
22 going to be available this afternoon for further questions.
23 I'm sure Ms. Childers would be happy to answer any questions
24 she can --

25 THE WITNESS: And I will be here --

1 JUDGE DIPPELL: -- regarding rate design.

2 THE WITNESS: I will be here all day and
3 tomorrow if necessary as well.

4 COMMISSIONER CLAYTON: If you want to punt to
5 Mr. Smith on the rate design, I'm happy to ask him.

6 THE WITNESS: Yes. He will be the delivery
7 charge witness.

8 JUDGE DIPPELL: And we didn't get to the Staff
9 or Public Counsel witnesses on rate design. We still have to
10 go back to that issue. But as far as the customer service, if
11 you want to ask those now, I don't think anybody has a problem
12 with that except Staff's witnesses aren't in the room. Okay.
13 We'll wait.

14 COMMISSIONER CLAYTON: Let me look over my
15 consolidation questions. I may be just about done here. I
16 want to make sure I'm following.

17 COMMISSIONER APPLING: Take all the time you
18 need.

19 COMMISSIONER CLAYTON: If you want to go
20 ahead, if you want to ask some questions.

21 COMMISSIONER APPLING: I don't have any
22 questions.

23 BY COMMISSIONER CLAYTON:

24 Q. I know this is somewhere in the testimony and
25 this is laziness on my part, so I apologize. Missouri

1 territory G would be the west -- what is that -- is that
2 Greeley?

3 A. Yes, sir.

4 Q. Kirksville's K. Missouri P, is that Palmyra?

5 A. Yes, sir.

6 Q. And then U would be Hannibal, Canton, Bowling
7 Green?

8 A. Correct.

9 Q. Okay. Mr. Smith, the gentleman who is Atmos's
10 expert on rate design, I have some general questions about
11 conservation and reducing usage. Would he be the appropriate
12 witness or would you be the appropriate witness?

13 A. He would be the appropriate witness.

14 Q. Okay. And I think we talked about this
15 before, about the variations between the commodity price, PGA
16 and the ACA, how they fluctuate up and down and how it seems
17 like there are significant differences and swings among those
18 districts. Is there a witness that I should direct those
19 questions to other than you?

20 A. Com--

21 Q. Probably a Staff witness, I would think?

22 A. That's what I was going to suggest, perhaps a
23 Staff witness.

24 COMMISSIONER CLAYTON: And that would be
25 Ms. Ross, Mr. Berlin; is that correct?

1 MR. BERLIN: The question is on the swing --
2 I'm sorry, Commissioner.

3 COMMISSIONER CLAYTON: On the ACA/PGA and
4 commodity price differentials, the differences in prices and
5 why they are the way they are.

6 MR. BERLIN: That would be Tom Imhoff,
7 Commissioner Clayton.

8 COMMISSIONER CLAYTON: Oh, good. I can't wait
9 for that opportunity.

10 Okay. Ms. Childers, thank you for my patience
11 as I fumble through this material. I may have another
12 question here in a second or in a little bit as things go
13 forward, but I appreciate your patience.

14 THE WITNESS: You're welcome. Thank you.

15 JUDGE DIPPELL: Okay. And I'm just going to
16 clarify just for the record because Commissioner Clayton
17 referred to a non-unanimous agreement. And I believe what he
18 was referring to was not the written agreement that we have
19 before us because the PGA consolidation issue isn't part of
20 that written agreement. Correct?

21 MR. FISCHER: That's correct, your Honor. The
22 company has basically accepted the recommendations of Staff on
23 a whole variety of issues. The non-unanimous stipulation
24 reflects an agreement between Staff, Public Counsel and the
25 company on a handful of issues. But for the most part, the

1 company has accepted the Staff's recommendations on both
2 revenue requirement and rate design proposals and that's
3 what -- although we have accepted it, we haven't signed any
4 kind of a Stipulation and Agreement.

5 JUDGE DIPPELL: Right. I just wanted to
6 clarify that when Commissioner Clayton was referring to that
7 agreement, he was referring to that meeting of the minds on
8 the positions.

9 COMMISSIONER CLAYTON: Those words mean a lot
10 more than they used to, don't they?

11 JUDGE DIPPELL: Okay. Then I think that's all
12 the questions from the Bench. Is there recross from Staff
13 based on those questions?

14 MR. BERLIN: One question, Judge.

15 JUDGE DIPPELL: All right.

16 RECROSS-EXAMINATION BY MR. BERLIN:

17 Q. Ms. Childers, is Staff's proposal for all
18 classes or is it for residential and small general service
19 classes?

20 A. Residential and small general service.

21 MR. BERLIN: Thank you.

22 JUDGE DIPPELL: Is there anything further from
23 Public Counsel?

24 MR. POSTON: Just one.

25 RECROSS-EXAMINATION BY MR. POSTON:

1 Q. Ms. Childers, you indicated that the recent
2 PGA filings have brought the individual PGA rates closer
3 together. Is that what you stated?

4 A. Well, it's brought the PGAs down and, yes,
5 they are closer together than they were the -- some months
6 ago.

7 Q. And how many PGA filings does Atmos make a
8 year?

9 A. We current make seven. And I believe we can
10 file -- when we make a filing, we make seven. And we make
11 three or four a year.

12 Q. And some filings, they may actually be further
13 apart and some closer together? I mean, they fluctuate?

14 A. That's correct. Because largely, in my
15 opinion, due to the ACA, the under/over balance.

16 MR. POSTON: Thank you.

17 JUDGE DIPPELL: All right. Is there any
18 redirect examination?

19 MR. FISCHER: Yes, your Honor, there is.
20 Could I have just a minute and I'll --

21 JUDGE DIPPELL: Go ahead.

22 REDIRECT EXAMINATION BY MR. FISCHER:

23 Q. Mrs. Childers, you were asked some questions
24 why Kirksville would be treated differently for the PGA than
25 the Hannibal/Canton area. And I'd like to refer you to the

1 map. I think it was a map, you said it was kind of hard to
2 read. It may be that we'll have to project this on the screen
3 to read this, but can you tell that A&R pipeline is the
4 pipeline that is going across the most northwest part of
5 Missouri with the spur down to Kirksville?

6 JUDGE DIPPELL: And are you referring to what
7 we marked as Exhibit 100?

8 MR. FISCHER: Yes.

9 BY MR. FISCHER:

10 Q. I don't know --

11 A. I can't see it, Mr. Fischer.

12 MR. FISCHER: Mr. Berlin, do you know if we
13 can project that onto the screen and perhaps read it?

14 MR. BERLIN: We can. We have to put it on the
15 Smart Board.

16 THE WITNESS: I believe I can finally make
17 this out. If I'm looking at the -- the pipe across the top,
18 that is A&R Pipeline.

19 MR. BERLIN: I think we can magnify the top
20 part.

21 MR. FISCHER: Okay. Well, that's much better.

22 BY MR. FISCHER:

23 Q. And just in terms of why you would have a
24 separate PGA from the Kirksville area compared to the
25 Hannibal/Canton area, is it correct that another pipeline, it

1 appears to be Panhandle Eastern, would be --

2 A. Yes.

3 Q. -- coming across the state to serve the
4 Hannibal area?

5 A. That's correct.

6 Q. And would that be one of the reasons why you
7 might consider a separate PGA if you were trying to key on
8 pipelines that serve the area?

9 A. That sounds reasonable, yes.

10 Q. Okay. And then let's look at Butler. It
11 appears that Panhandle Eastern would serve the Butler area.
12 Is that your understanding?

13 A. Yes.

14 Q. While it's not shown on that map, do you know
15 whether the Butler area is also served by Southern Star?

16 A. I do not know.

17 Q. I'm sorry. The Greeley area?

18 A. Oh, the Greeley area, yes.

19 Q. Okay. Would that be an explanation why if you
20 didn't want to go to a statewide consolidation, you might
21 have -- you have different pipelines serving those three
22 different areas, the Butler/Greeley area, the Hannibal/Canton
23 area and then separately Kirksville?

24 A. I think that's a reasonable split.

25 Q. And then, of course, that SEMO area down in

1 the boot heel would be served by other pipelines?

2 A. Yes, that's correct. At least three.

3 Q. Okay. Commissioner Clayton also asked you
4 about the fact that the SEMO area has annual consumption
5 levels that are less than other regions in the state. Do you
6 recall those questions?

7 A. Yes.

8 MR. FISCHER: When we had I think it was Gary
9 Smith on the stand, he committed to give the Staff some
10 information about annual consumption levels of the different
11 districts and also some LIEAP information.

12 Judge, for purposes of this redirect, I think
13 I'd like to ask that that exhibit be marked. I think it might
14 be more efficient to go through it just real quickly now since
15 it addresses one of the Commissioner's questions.

16 JUDGE DIPPELL: All right. Let's see. The
17 company's next exhibit number is I believe 19. And what can I
18 call this? It says FY 2005 data.

19 MR. FISCHER: I'd say consumption data.

20 JUDGE DIPPELL: Okay. So this is the
21 consumption data for Atmos for fiscal year 2005.

22 (Exhibit No. 19 was marked for
23 identification.)

24 BY MR. FISCHER:

25 Q. Ms. Childers, are you familiar with this

1 exhibit?

2 A. Yes, I am.

3 Q. Can you explain the column, All Customer
4 Annual CCFs, what that represents?

5 A. Yes. The annual CCF, for example, Kirksville,
6 the -- the typical customer in Kirksville -- well, I should
7 say all customers would use an average of 721 CCF. A question
8 had arisen last week as to whether the LIEAP customers, the
9 low-income customers, typically would use -- would use more or
10 less.

11 So after that question was asked of the
12 company last week, we were able to query the system and get
13 some information. And the exhibit that you have before you
14 now shows that in all cases, the LIEAP customers, the
15 customers that are receiving LIEAP funding, actually their
16 usage is greater than the average.

17 Q. And I was actually referring to the SEMO area
18 where Commissioner Clayton asked about its consumption level.
19 What would this demonstrate as far as SEMO compared to other
20 areas of the state?

21 A. Lower -- lower usage but lower heating degree
22 days.

23 Q. So that would reflect the fact that it's
24 warmer in the south?

25 A. Yes.

1 Q. I believe you were also asked a question
2 regarding the small general service and the medium general
3 service. Do you recall?

4 A. Yes, I recall that.

5 Q. Is it your under-- I think you gave some
6 annual usage levels for those two classes. Do you know where
7 the break would actually occur? Would it be at 2,000 CCFs?

8 A. I believe it is at 2,000. And I was giving
9 numbers of -- of average annual usage as opposed to the break
10 that would be in the tariff itself.

11 MR. POSTON: Your Honor, if I may interrupt.

12 JUDGE DIPPELL: Yes, Mr. Poston.

13 MR. POSTON: Is there any way we can take a
14 short break so we can talk about this exhibit with the
15 parties? There's numbers in here that -- regarding the
16 billing determinants that we believe we've agreed to among the
17 parties that appear to be inaccurate and I'd just like to
18 confer with them about this before we move on if that's
19 possible.

20 JUDGE DIPPELL: There's no problem with that.

21 MR. FISCHER: I can move to introduce it later
22 after we've had a chance to discuss that if you'd like or do
23 it now for that matter, but I can finish the redirect as well
24 if you'd like to do that.

25 JUDGE DIPPELL: Mr. Poston?

1 MR. POSTON: I would as soon clear it up right
2 now before we move on.

3 JUDGE DIPPELL: Okay. Let's take a short
4 break. We'll adjourn until 20 after. Thank you. We can go
5 off the record.

6 (A recess was taken.)

7 JUDGE DIPPELL: Okay. Mr. Poston, did you all
8 have a chance to work out your --

9 MR. POSTON: Well, they did explain the
10 billing determinants concern we had, but we do have additional
11 concern that there's data in here that we have had no --
12 absolutely no opportunity to review and to try to determine
13 whether we agree with these figures. Mr. Fischer essentially
14 just handed his witness a piece of paper allowing her to put
15 numbers into the record that have not been verified by the
16 other parties.

17 JUDGE DIPPELL: Okay. Well, the exhibit
18 hasn't actually been offered yet. I realize the witness did
19 testify -- make some testimony.

20 Mr. Fischer, did you have additional redirect
21 not related to this?

22 MR. FISCHER: I did have a couple other
23 redirect questions. And actually regarding the exhibit, we
24 originally had Gary Smith, who was asked the question about
25 it, it was probably more appropriate to go through that with

1 him. I was just trying to short circuit one of the questions
2 that the Commissioner had asked because I knew the data was
3 available and we could talk about the other data on here at
4 some other time during the hearing.

5 JUDGE DIPPELL: Okay. I think I'll let you
6 offer that in conjunction with Mr. Smith and allow the other
7 parties the chance to cross-examine and make objections or
8 whatever is appropriate at that time. Would you like to go
9 forward with what other redirect you had on this witness?

10 MR. FISCHER: Yes, thank you, your Honor.

11 BY MR. FISCHER:

12 Q. Ms. Childers, I believe you were asked a
13 question regarding -- from Commissioner Clayton regarding
14 farmtaps. I wanted to -- if I understood your answer, Atmos
15 does not have any farmtaps in Missouri; is that correct?

16 A. That's correct.

17 Q. You mentioned Illinois. There may be some in
18 some other states, but in Missouri there aren't farmtaps?

19 A. That's correct. They're all served from our
20 distribution system.

21 Q. So any rural customer or farmer that was
22 receiving gas from Atmos would be receiving it from behind the
23 city gate; is that right?

24 A. That's correct.

25 MR. FISCHER: I think that's all the redirect

1 I have, your Honor. Thank you.

2 JUDGE DIPPELL: All right. Ms. Childers, I'll
3 let you step down for now but ask you to remain for any
4 additional questions.

5 THE WITNESS: Thank you.

6 JUDGE DIPPELL: I believe we're ready then to
7 go to Mr. Imhoff.

8 (Witness sworn.)

9 JUDGE DIPPELL: Thank you. Go ahead,
10 Mr. Berlin.

11 MR. BERLIN: Judge, do I understand we're
12 continuing with the shortened procedures?

13 JUDGE DIPPELL: Yes. We've waived the
14 preliminary questions for the testimony.

15 TOM M. IMHOFF testified as follows:

16 DIRECT EXAMINATION BY MR. BERLIN:

17 Q. Mr. Imhoff, did you prepare for this
18 proceeding Direct --

19 A. Yes.

20 Q. -- Rebuttal and Surrebuttal Testimony?

21 A. Yes.

22 Q. Do you have any changes you wish to make to
23 your direct?

24 A. Not at this time.

25 Q. Any changes to your Rebuttal --

1 A. Not --

2 Q. -- Testimony?

3 A. Not at this time.

4 Q. To your Surrebuttal Testimony?

5 A. Not at this time.

6 Q. And as part of your preparation, are you
7 sponsoring a Missouri pipeline map premarked as 121-HC?

8 A. Yes.

9 MR. BERLIN: May I approach?

10 JUDGE DIPPELL: Yes.

11 MR. BERLIN: I just distributed to the parties
12 a Missouri pipeline map premarked as Exhibit 121-HC. And with
13 that, Judge, I would move that the Direct, Rebuttal,
14 Surrebuttal Testimony of Mr. Imhoff and the HC Missouri gas
15 pipeline map that he is sponsoring be admitted into evidence.

16 JUDGE DIPPELL: Would there be any objection
17 to Exhibits 118, 119, 120 and 121-HC?

18 Seeing no objections, then I will admit those
19 into evidence.

20 (Exhibits Nos. 118, 119, 120 and 121-HC were
21 received into evidence.)

22 MR. BERLIN: Your Honor, Staff tenders this
23 witness for cross-examination.

24 JUDGE DIPPELL: Thank you. Is there any
25 cross-examination from Atmos?

1 MR. FISCHER: No thank you, your Honor.

2 JUDGE DIPPELL: Public Counsel?

3 MR. POSTON: Yes. Thank you.

4 CROSS-EXAMINATION BY MR. POSTON:

5 Q. Mr. Imhoff, you were in here when Ms. Childers
6 just testified. Correct?

7 A. Yes.

8 Q. And did you hear the discussion she had with
9 Commissioner Clayton regarding how the proposal to consolidate
10 the PGA areas would address the ACA?

11 A. Yes.

12 Q. I believe she stated that that was in Staff's
13 testimony, that Staff proposed how to handle that?

14 A. I believe so. Let me -- let me --

15 Q. Would you agree with that statement?

16 A. Oh, yes. Absolutely.

17 Q. Can you point to me where in your testimony
18 you discuss how the ACA would be handled?

19 A. Well, let me -- I think I misunderstood your
20 question. I apologize for that. Your question was did I
21 actually state something in my testimony how it relates to the
22 ACA. I -- I have gone back through my direct and I do not
23 have that. My intention was to have each individual district
24 take care of their respective ACA balances to zero them out.

25 Q. Okay. But that's nowhere in your filed

1 testimony. Correct?

2 A. That is correct. It's not in my Direct
3 Testimony.

4 MR. POSTON: Thank you. That's all I had.

5 JUDGE DIPPELL: Thank you. Commissioner
6 Appling, do you have any questions on the PGA and district
7 consolidation for Mr. Imhoff?

8 COMMISSIONER APPLING: I think I understand it
9 very well. He looks like he's too ready for me this morning
10 so I won't ask any questions. No questions, Judge.

11 JUDGE DIPPELL: Just one moment, Mr. Imhoff.
12 I'm trying to make sure I don't have any questions for you.

13 COMMISSIONER APPLING: Judge, I'll ask I
14 question while you're digging around in your pile.

15 QUESTIONS BY COMMISSIONER APPLING:

16 Q. Just kind of like your face this morning and
17 didn't want you to get away. Okay?

18 A. Okay.

19 Q. Is it my understanding that you agree and
20 support the Staff and Atmos on this agreement they have on
21 this rate case? Do you support it?

22 A. For the PGA consolidation?

23 Q. Yes. The portion that you're on, yes.

24 A. Yes. This is the actual Staff proposal and I
25 believe that the company has agreed to the Staff proposal for

1 A -- PGA's slash ACA districts.

2 Q. Okay. And that's in each one of the three or
3 four districts that they're recommending?

4 A. Yes.

5 Q. Okay.

6 COMMISSIONER APPLING: Judge, I just wanted to
7 make sure that he agreed with what we had here, so I don't
8 have any more questions. Thank you very much.

9 JUDGE DIPPELL: All right. Thank you.
10 Mr. Imhoff, are you scheduled to testify on any other topics?

11 THE WITNESS: No.

12 JUDGE DIPPELL: All right. Your other
13 testimony was on class cost of service and that's been
14 settled, is that correct, or at least partial settlement?

15 THE WITNESS: That's my understanding, yes.

16 JUDGE DIPPELL: Okay. Well, I know that
17 Commissioner Clayton has some questions for you and he's
18 stepped into the other hearing room for the other hearing
19 that's going on right now --

20 THE WITNESS: Okay.

21 JUDGE DIPPELL: -- so I know that he will want
22 to call you back to the stand later.

23 THE WITNESS: Okay.

24 JUDGE DIPPELL: I guess was there any
25 recross-examination based on Commissioner Appling's question

1 from Atmos?

2 MR. FISCHER: No, your Honor.

3 JUDGE DIPPELL: Public Counsel?

4 MR. POSTON: No, your Honor.

5 JUDGE DIPPELL: All right. Then, Mr. Imhoff,

6 you can step down for now.

7 I'm sorry. Was there redirect?

8 MR. BERLIN: No, Judge.

9 JUDGE DIPPELL: Okay. Did Ms. Ross make it

10 in? Let's go ahead and have Ms. Ross come up.

11 MR. BERLIN: One moment, please, Judge.

12 MR. POSTON: Judge, you wanted us to -- so

13 you're moving back to rate design before we finish up the PGA

14 consolidation?

15 JUDGE DIPPELL: I'm sorry. I thought -- I

16 thought Ms. Ross was the witness on this topic also. Is that

17 not correct?

18 MR. BERLIN: That's correct. Ms. Ross is a

19 witness on the rate design.

20 JUDGE DIPPELL: PGA.

21 MR. BERLING: Mr. Imhoff is the PGA

22 consolidation witness.

23 JUDGE DIPPELL: Okay.

24 MR. DORITY: Did Ms. Meisenheimer take the

25 stand for PGA consolidation?

1 JUDGE DIPPELL: No, I'm sorry. I think I must
2 have messed this up. My apologies. I thought Ms. Ross was
3 listed on the witness list as also being a witness on this
4 topic. So I apologize. We can go to Ms. Meisenheimer.

5 MR. POSTON: Thank you.

6 JUDGE DIPPELL: Ms. Meisenheimer, you've been
7 previously sworn and your exhibits have been previously
8 admitted. So is there any cross-examination on the PGA
9 district consolidation from Atmos?

10 MR. DORITY: No questions, your Honor.

11 JUDGE DIPPELL: Okay. And is there any
12 cross-examination from Staff?

13 MR. BERLIN: No questions, Judge.

14 JUDGE DIPPELL: I guess I should have asked
15 this before we brought her up to the witness stand.

16 Commissioner Appling, did you have any
17 questions for Ms. Meisenheimer on this matter, the
18 consolidation?

19 COMMISSIONER APPLING: Judge, I don't think I
20 have any questions.

21 BARBARA MEISENHEIMER testified as follows:

22 QUESTIONS BY COMMISSIONER APPLING:

23 Q. But is this a contested area with you? This
24 consolidation okay or is it not okay?

25 A. It's not okay. It is contested.

1 COMMISSIONER APPLING: Okay. I don't think I
2 have any further questions. Thank you.

3 THE WITNESS: Okay.

4 JUDGE DIPPELL: All right. Let me regroup.

5 QUESTIONS BY JUDGE DIPPELL:

6 Q. Okay. Ms. Meisenheimer, I think I may have a
7 question for you here. In your Surrebuttal Testimony on
8 page 6, you state down at the bottom on line 10 that, I
9 believe that if the Staff had prepared cost studies for each
10 of the districts instead of consolidating them into three, it
11 would have found significant differences in the portion of
12 mains allocated to classes.

13 What is your support for that belief?

14 A. I -- I actually did cost studies that were not
15 consolidated. Primarily I relied on Staff's data and later at
16 the time of surrebuttal, I actually used the Staff's mains
17 allocator as well and I found significant differences in the
18 mains cost also.

19 I might point you to page 11 of my Surrebuttal
20 Testimony. There is a table at the top that identifies mains
21 investment, the distribution mains reserve subtracting the
22 reserve from the investment --

23 MR. BERLIN: Judge, if I could interrupt, I'd
24 just like to point out that this area has to do with district
25 consolidation or service territory consolidation and is not

1 part of the PGA consolidation issue.

2 JUDGE DIPPELL: Okay. I guess I thought we
3 were doing both issues at once. I guess I'm confused. Maybe
4 we better back up to the beginning here. Was that not how
5 they were listed on the --

6 MR. POSTON: In the issues list they are
7 listed separately, the PGA --

8 JUDGE DIPPELL: Right. But on the witness
9 list that you all agreed to, weren't they --

10 MR. FISCHER: There are different Staff
11 witnesses. I think Ms. Meisenheimer does address both issues
12 so it's --

13 JUDGE DIPPELL: And is that what Ms. Ross is
14 scheduled to testify on?

15 MR. BERLIN: Yes.

16 JUDGE DIPPELL: Okay. So, Mr. Berlin, we do
17 need to go back to Ms. Ross for the district consolidation and
18 so forth. Okay.

19 MR. BERLIN: Correct, Judge.

20 JUDGE DIPPELL: Okay. I'll let you testify to
21 that. We'll back up and recover that ground later.

22 Okay. Is there any recross based on my
23 questions or do you -- if you want to handle that when we go
24 back to that issue, that's fine too.

25 MR. FISCHER: Judge, I had a question based

1 upon a question from Commissioner Appling.

2 JUDGE DIPPELL: Okay. Go ahead.

3 RECROSS-EXAMINATION BY MR. FISCHER:

4 Q. Ms. Meisenheimer, do you recall being asked
5 whether this was a contested issue as far as Public Counsel's
6 concerned on the consolidation of the PGAs?

7 A. Yes.

8 Q. Is it correct that in your Rebuttal Testimony,
9 you state that you find Staff's proposal more reasonable than
10 the company's regarding the PGA rate consolidation, page 35?

11 A. In rebuttal?

12 Q. Yes, in rebuttal.

13 A. I don't doubt that I said it. I just thought
14 I would verify that. Page 35, can you give me a line number?

15 Q. I don't have a line number but it's I think in
16 the middle there.

17 MR. POSTON: Seven.

18 THE WITNESS: Yes. I say, Although I find the
19 Staff's proposal is more reasonable than the company's, there
20 is no compelling reason to alter the PGA structure simply to
21 reduce the administrative burden -- burden on the company.

22 BY MR. FISCHER:

23 Q. If the Commission did decide that some
24 consolidation would be appropriate, would you find the Staff's
25 proposal to be more appropriate than the company's original

1 proposal to consolidate into one PGA?

2 A. Yes. With the qualification that -- as you
3 heard from Mr. Imhoff on the stand just a few minutes ago, the
4 Staff's testimony did not address how the ACA would be handled
5 and carried out for 12 months. I think he indicated that was
6 his intention and that's -- that's something that -- that
7 certainly should be done. That the -- whatever leftover costs
8 there are from existing districts, they should be preserved
9 and carried -- carried through and blended.

10 Q. And did you --

11 A. Or not blended across districts. Sorry.

12 Q. Did you also hear Ms. Childers testify that
13 that was consistent with what the company would propose as
14 well?

15 A. I -- I don't specifically remember exact --
16 exactly what she said. I -- I do remember that the -- the
17 company has taken the position it agrees with the Staff.

18 Q. Okay. It's your understanding that Atmos is
19 willing to accept the Staff's proposal on consolidation of
20 PGAs --

21 A. Yes.

22 Q. -- in the four districts?

23 MR. FISCHER: Okay. That's all I have. Thank
24 you.

25 JUDGE DIPPELL: Is there any further

1 recross-examination from Staff?

2 MR. BERLIN: No, Judge.

3 JUDGE DIPPELL: Is there redirect from Public
4 Counsel?

5 MR. POSTON: No, Judge. Thank you.

6 JUDGE DIPPELL: Okay then. Ms. Meisenheimer,
7 you can be excused until we get to the next issue in which
8 you're the witness.

9 Okay. I apologize. I must have been looking
10 at the original joint issues list when I was making up the
11 order of witnesses for today so I got confused on the PGA and
12 district consolidation. I thought they were all being handled
13 at one time. So do we need to then go back to Ms. Childers
14 for district consolidation?

15 MR. FISCHER: Perhaps we could inquire whether
16 there's any additional cross of her before --

17 JUDGE DIPPELL: That's what I guess I'm
18 asking. Was there any additional cross-examination on the
19 district consolidation?

20 MR. POSTON: No. I actually went out of order
21 and asked my questions on Thursday, so --

22 JUDGE DIPPELL: Okay. I'm picking up where --
23 I was more organized on Thursday. Mr. Berlin?

24 MR. BERLIN: No questions, Judge.

25 JUDGE DIPPELL: Okay. I'm not sure if the

1 Commissioner asked his questions on district consolidation
2 when he had Ms. Childers here before so there may still be
3 some questions on that. Commissioner Appling, you don't have
4 any questions for Ms. Childers on that topic? Okay. Neither
5 do I. So we will consider Ms. Childers covered in that area
6 unless there are further Commission questions.

7 So then that does bring us to Ms. Ross, who
8 has not yet been before us today so I know there's at least
9 something we can do with regards to her.

10 (Witness sworn.)

11 JUDGE DIPPELL: Thank you.

12 ANNE ROSS testified as follows:

13 DIRECT EXAMINATION BY MR. BERLIN:

14 Q. Ms. Ross, did you prepare Direct Testimony on
15 rate design in this proceeding?

16 A. Yes.

17 Q. Did you prepare Direct Testimony on large
18 customer annualization?

19 A. Yes.

20 Q. And did you prepare Rebuttal Testimony?

21 A. Yes.

22 Q. And Surrebuttal Testimony?

23 A. Yes.

24 Q. Do you have any corrections you wish to make
25 to that testimony at this time?

1 A. No.

2 Q. Did you update any schedules to reflect the
3 billing units agreed to in the Stipulation and Agreement?

4 A. Yes, I did. I updated Schedule 1.1 and 1.2
5 from my Surrebuttal Testimony to update the -- the revenues on
6 which we calculated the -- the delivery charges. So I -- my
7 delivery charges are slightly different than they were in my
8 surrebuttal.

9 MR. BERLIN: May I approach?

10 JUDGE DIPPELL: Yes, sir.

11 MR. BERLIN: I have a copy of the updated
12 schedule.

13 JUDGE DIPPELL: If you could give those all to
14 me. And this is the schedule to the Surrebuttal Testimony,
15 which was marked as Exhibit 113; is that correct? This is a
16 corrected schedule or are we marking this as a new exhibit?

17 MR. BERLIN: I'll mark it as a new exhibit,
18 Judge.

19 JUDGE DIPPELL: Okay. So the Staff's next
20 Exhibit number is 137.

21 (Exhibit No. 137 was marked for
22 identification.)

23 MR. BERLIN: Your Honor, I would move that the
24 Direct Testimony on rate design, the Direct Testimony on large
25 customer annualization, the Rebuttal Testimony and Surrebuttal

1 Testimony that are premarked from 110 to 113, in addition to
2 the corrected Schedule 1-1, I believe you marked as 137, be
3 admitted into evidence.

4 JUDGE DIPPELL: Okay. Would there be any
5 objection to Exhibits 110, 111, 112 and 113 coming into the
6 record? And no objection?

7 I'll receive those.

8 (Exhibit Nos. 110, 111, 112 and 113 received
9 into evidence.)

10 JUDGE DIPPELL: And would there be any
11 objection to Exhibit No. 137 coming into the record? That's
12 the corrected schedule.

13 Then I will receive that into evidence.

14 (Exhibit No. 137 was received into evidence.)

15 MR. BERLIN: Judge, Staff tenders this witness
16 for cross-examination.

17 JUDGE DIPPELL: Thank you. Is there any
18 cross-examination from Atmos?

19 MR. FISCHER: Just briefly, your Honor.

20 CROSS-EXAMINATION BY MR. FISCHER:

21 Q. Ms. Ross, your corrected Schedule 1-1, I
22 believe it's entitled Comparison of OPC and Staff Residential
23 Rate Design Proposal Impact Dollars Updated to Reflect Billing
24 Units to Stipulation and Agreement. Would that refer to the
25 billing determinants that were attached as Attachment A to the

1 non-- to the Stipulation and Agreement that was filed earlier
2 by the Staff, Public Counsel and the company?

3 A. Yes.

4 MR. FISCHER: I think that's all I had on this
5 topic, your Honor.

6 JUDGE DIPPELL: Any cross-examination from
7 Public Counsel?

8 MR. POSTON: Yes, thank you.

9 CROSS-EXAMINATION BY MR. POSTON:

10 Q. Good morning.

11 A. Good morning.

12 Q. Ms. Ross, Atmos currently provides service to
13 customers in seven separate districts that have seven separate
14 residential rates. Correct?

15 A. Correct.

16 Q. And your proposal is to consolidate those
17 districts into three districts. Correct?

18 A. Yes, that's correct.

19 Q. And each of your three districts would have a
20 different residential rate under your rate design proposal?

21 A. Each of the districts would have the same
22 customer charge and a different commodity charge and -- oh,
23 I'm sorry. God. Yes, they would. The delivery charge would
24 be different in each district.

25 Q. And why are the rates different for each of

1 the three districts?

2 A. We're using current revenues to -- to
3 determine the billing. The delivery charge and the current
4 revenues for each district are different.

5 Q. So those rates are not cost based then?

6 JUDGE DIPPELL: Ms. Ross, can I get -- when
7 you answer, can I get you to turn more toward the microphone
8 so that it picks you up a little better?

9 THE WITNESS: Sure. Sure.

10 JUDGE DIPPELL: Thank you.

11 THE WITNESS: I'm not sure I understand your
12 question.

13 BY MR. POSTON:

14 Q. You said the rates are based on revenues, so
15 does that mean the revenues are not based on cost?

16 A. That is correct, they are not based on a cost
17 of service that I did in this case.

18 Q. Did the Staff prepare residential cost studies
19 for all seven districts?

20 A. Yes.

21 Q. And where do those seven cost studies appear
22 in testimony?

23 A. I'm sorry. I misspoke again. They -- we did
24 three cost of service studies. I apologize.

25 Q. Would you agree that the Staff's class cost of

1 service studies found that the book cost of meters and
2 regulators is not the same for residential customers
3 statewide?

4 A. Yes.

5 Q. Taking everything into account that has been
6 filed to date in this case, all rounds of testimony, do you
7 now believe that the embedded cost to serve a customer in one
8 district is identical to the embedded cost to serve a customer
9 in any of the other districts?

10 A. It depends on what you mean by "district." I
11 don't believe that the em-- that the cost to serve a customer
12 in the northern district is the same as the cost to serve the
13 customer in the southern district, if that's what you're
14 asking.

15 Q. Well, I'm asking for each of the districts.
16 Any one district --

17 A. Okay.

18 Q. -- is that cost, embedded cost identical to
19 any of the other districts?

20 A. No.

21 Q. And in your rebuttal you state there might be
22 a difference in cost in districts due to the vintage of
23 distribution equipment --

24 A. Yes.

25 Q. -- in different districts. And why would the

1 vintage be different?

2 A. The -- these companies were acquired in three
3 separate purchases. Different companies have different
4 accounting methods. They might have booked the cost
5 differently, their depreciation rates might have been
6 different in the past.

7 Q. So the equipment would depreciate differently
8 depending on the district?

9 A. On the books, yes.

10 Q. And so would the different vintage equipment
11 need to be replaced at an equal rate across all districts?

12 A. Yes. I believe so.

13 Q. And why do you believe that?

14 A. We've had an aggressive service line
15 replacement program. Let's just talk about, let's say,
16 services or meters. I think that they're replacing the
17 equipment in all of the districts on an ongoing basis. I -- I
18 don't think that -- that the engineers look at the books to
19 determine when a piece of equipment needs to be replaced.

20 Q. So you're saying that they would replace these
21 at the same rate across all districts?

22 A. No. Not necessarily.

23 Q. Did you perform a population density study in
24 this case to determine to what extent through economies of
25 scale the cost per district would be different?

1 A. Would be different from -- when you're talking
2 about districts, what do you mean? Do you mean the three --

3 Q. Seven districts.

4 A. The seven districts. Would you repeat your
5 question?

6 Q. Did you do a pop-- perform any type of
7 population density study to determine differences between
8 districts?

9 A. No, I did not.

10 Q. Isn't it true that you stated in your
11 testimony you did not believe it's necessary to wait for
12 detailed information to be gathered to perform detailed cost
13 studies to help determine whether consolidating districts is
14 reasonable?

15 A. Yes, I said that.

16 Q. And how long would one have to wait to gather
17 the necessary information to perform the cost study?

18 A. In the case of Atmos, I don't think we could.
19 I don't think that that information will ever be available.
20 As our depreciation witness testified, there is some problems
21 with their books. I don't think we'll -- we'll ever have
22 exact information upon which to base customer charges,
23 commodity rates.

24 Q. And that's based just upon the lack of
25 depreciation data?

1 A. That's a big part of it, yes.

2 Q. And what other type of information would need
3 to be gathered?

4 A. To perform specific cost studies? I think
5 that it would -- it would depend on how you want to perform
6 your study. If you were doing a replacement cost study, you'd
7 need to -- to gather information on -- on what it would cost
8 to current -- you know, to -- if you were putting in the
9 equipment today. If you were just looking at historical
10 costs, you might want to take information and trend it so that
11 it would all be on the same basis.

12 Did I answer your question?

13 Q. Well, I was just trying to understand what
14 information you believe would need to be gathered to do a
15 thorough cost study.

16 A. I think we'd need to know -- as well as those
17 things, I think we'd need to know the sizes for the various
18 customer classes, the usage or peak demands. I think we
19 would -- it would be helpful to know the equipment that's
20 currently serving the different classes. It's hard to answer
21 because there's several different ways that you could analyze
22 that, but we would need that type of information.

23 Q. And aside from the depreciation data, is any
24 of this information that would be needed not available to
25 Atmos?

1 A. That would be needed to develop detailed cost
2 studies?

3 Q. Correct.

4 A. I think that there -- I think that the fact
5 that there are so many shared services in Atmos would make it
6 difficult to develop cost studies for each individual
7 district. They have a lot of their -- their call centers are
8 shared. I believe that their -- their workmen within a
9 particular geographic district don't just go and, say, work on
10 Hannibal versus Kirksville. So I think there are a lot of
11 shared services. That would be difficult.

12 Q. Aren't those issues that could be worked
13 through and some kind of an allocation made based on those
14 costs?

15 A. Yes. I don't know that it could be worked
16 through, but everybody could come up with some kind of
17 allocation on those costs.

18 Q. Isn't it true that the Staff's accounting
19 schedule data determines cost for each seven districts?

20 A. Yes.

21 Q. And did you use that data?

22 A. We combined it into three districts and used
23 it, yes.

24 MR. POSTON: That's all I have. Thank you.

25 JUDGE DIPPELL: Thank you.

1 QUESTIONS BY JUDGE DIPPELL:

2 Q. Ms. Ross, I've got a couple of questions for
3 you. And I apologize if you covered this somewhere in your
4 testimony and I didn't catch it so -- at the very end of your
5 Surrebuttal Testimony, page 14, you respond to the company's
6 proposal that's in their -- in Mr. Smith's Rebuttal Testimony.
7 And you state that -- you're talking about the sculpting of
8 rates to lower summary delivery charge. And you say that
9 Staff doesn't oppose that proposal but you basically prefer
10 the 12-month proposal. Is that Staff's -- is that correct?

11 A. That is correct.

12 Q. Okay. Are you saying then that you believe
13 the sculpting of the rates would achieve the same results
14 as --

15 A. Yes.

16 Q. -- Staff's proposal?

17 A. Yes. On an annual basis, it would collect the
18 same revenues.

19 Q. Okay. I think some of my questions have
20 already been answered so -- and I'm sorry. That was off topic
21 again, wasn't it? Okay. That's why I'm confused. Those
22 questions are for rate design, which we haven't gotten to yet.
23 I was prepared to get to that first thing when we got here.

24 JUDGE DIPPELL: All right. Would there be any
25 redirect -- or recross-examination questions based on my

1 questions or if you want to save them for when we get to rate
2 design, that's okay too. I'm going to catch up.

3 MR. FISCHER: I'll save the question.

4 JUDGE DIPPELL: Okay. Public Counsel?

5 MR. POSTON: No questions.

6 JUDGE DIPPELL: Is there any redirect from
7 Staff based on all of the cross?

8 MR. BERLIN: Yes, Judge. I have one question.

9 REDIRECT EXAMINATION BY MR. BERLIN:

10 Q. Ms. Ross, do you recall a question that
11 Mr. Poston asked you regarding cost of service studies?

12 A. Yes.

13 Q. In each of the three service areas, northeast,
14 southeast and western, was there a cost of service study
15 performed for each of those areas?

16 A. I believe that there was.

17 MR. BERLIN: Thank you.

18 JUDGE DIPPELL: All right, Ms. Ross, I believe
19 there will probably be Commission questions based on this
20 topic as well as the others from some of the Commissioners who
21 aren't here right now so I would excuse you for now, but would
22 ask you to come back later to answer those questions.

23 THE WITNESS: Thanks.

24 JUDGE DIPPELL: Okay. Is there going to be
25 any cross-examination questions for Ms. Meisenheimer on the

1 district consolidation topic?

2 MR. BERLIN: None from Staff, Judge.

3 MR. FISCHER: None from company.

4 JUDGE DIPPELL: Okay. Then I'll just ask
5 Ms. Meisenheimer to reserve her cross-examination from the
6 Bench on that or her questions from the Bench on that and
7 bring you back at a later time for that.

8 Okay. If I'm finally catching up then, I
9 believe that that is all of the witnesses on both the district
10 and the PGA consolidation except for whatever Commission
11 questions we have for those witnesses. So are we ready then
12 to move on to the other tariff issues or should we go back to
13 some?

14 MR. DORITY: Rate design.

15 JUDGE DIPPELL: Go back to rate design?

16 MR. POSTON: Company witness is not here. We
17 could move to one of the other issues.

18 JUDGE DIPPELL: The company witness isn't
19 here --

20 MR. POSTON: For rate design.

21 JUDGE POSTON: -- for rate design?

22 MR. DORITY: He's already testified.

23 JUDGE DIPPELL: He's already -- he testified
24 on Thursday.

25 MR. POSTON: Oh, okay.

1 MR. DORITY: Yeah, we're ready for rate
2 design.

3 MR. POSTON: Okay. We are ready.

4 JUDGE DIPPELL: And it may be that we're in
5 the same position with regard to that, so let's just find out.
6 With regard to rate design will there be cross-examination
7 questions for Ms. Ross from Atmos?

8 MR. FISCHER: I had just a few.

9 JUDGE DIPPELL: Okay. Then let's go ahead and
10 bring Ms. Ross right back up. And I may have another one too
11 so -- that was quick. You're still under oath, Ms. Ross. And
12 your exhibits have already been admitted based on -- which
13 included this topic so cross-examination from Atmos on the
14 rate design issue.

15 MR. FISCHER: Yes, your Honor.

16 ANNE ROSS testified as follows:

17 CROSS-EXAMINATION BY MR. FISCHER:

18 Q. I wanted to follow up on -- in your
19 Surrebuttal Testimony you talk about the sculpting and
20 delivery charge. That's one of the areas that the company has
21 a slightly different recommendation from Staff; is that
22 correct?

23 A. That's correct.

24 Q. Would you explain to the Bench the difference
25 between company and Staff as you understand it on that issue?

1 A. Staff believes that it would be appropriate to
2 charge the same charge year-round because the company incurs
3 the same costs year-round to -- to serve these customers. And
4 that's why we are -- we are suggesting that the delivery
5 charge be unchanged.

6 The company believes that there might be
7 some -- some -- that customers might prefer a lower charge in
8 the summer, which they're used to, and so they would like to
9 sculpt the delivery charge to achieve that. It would be lower
10 in the summer and higher in the winter.

11 Q. And does Staff -- while Staff would recommend
12 a flat delivery charge throughout the seasons, does Staff have
13 concerns or is opposed to the company's proposal on sculpting?

14 A. No.

15 Q. You also mentioned in your testimony that you
16 had a table that showed the various usages for I think cooking
17 only, logs. Where was that located?

18 A. It was -- I think it was on page 6 of my
19 Surrebuttal. Yes.

20 Q. And I believe at the bottom of page 6 you say,
21 The low-usage customers on Atmos's system are most likely
22 customers using Atmos' distribution system to do things like
23 fuel for gas fireplace logs, cook on a gas stove or use a gas
24 water heater; is that correct?

25 A. That's correct.

1 Q. And that would be -- the actual average usage
2 for those uses would be reflected on your table that's
3 contained on page 6 of your testimony there up above?

4 A. I'm sorry. Could you -- could you repeat
5 that?

6 Q. Yeah. The annual consumption for those
7 specific types of usages, the gas fireplace, the stove for
8 cooking, would be reflected on your table. Is that what
9 you're trying to show there?

10 A. On the -- the -- the second table that says,
11 End use?

12 Q. Yes.

13 A. Yes. Yes. Those are estimates, but -- but
14 that's correct.

15 Q. For a customer that only used a gas fireplace
16 and had only annual use of 84 CCFs per year, under the company
17 or the -- or the Staff's delivery charge, how would that
18 impact a customer like that?

19 A. It would increase their -- the amount they
20 paid.

21 Q. And why would that be?

22 A. Because at the current time, they're not
23 paying enough to cover their cost of service and the delivery
24 charge is meant to take them up to the cost of serving them.

25 Q. Would it be correct to say then that they're

1 being subsidized today?

2 A. Yes.

3 Q. Is that --

4 A. Yes.

5 Q. Okay.

6 MR. POSTON: Your Honor, this is clearly
7 friendly cross. Both of these parties are on the same side of
8 the page on this issue and we have objection to that.

9 MR. BERLIN: Judge, I would just like to weigh
10 in on that. I think we covered that objection on day one of
11 our hearing. There has been no order from the Commission
12 prohibiting cross-examination of company witness -- or the
13 company cross-examining the Staff witness.

14 JUDGE DIPPELL: I do believe that I had sort
15 of led into the original questions that Mr. Fischer was asking
16 about the difference between -- and there is a position
17 difference sort of between the sculpting rates and the others,
18 so those are certainly proper.

19 I will ask Mr. Fischer to not make questions
20 repetitive of the testimony that are in the record, but
21 Mr. Berlin is correct, there's been no limiting order on
22 friendly cross-examination that's just simply unnecessary.

23 BY MR. FISCHER:

24 Q. To the extent -- to the extent that the
25 company's delivery charge that is sculpted is different from

1 the Staff's flat delivery charge, would the effect on a
2 low-use customer like a gas fireplace log be any different?

3 A. On an annual basis, no.

4 Q. Okay.

5 MR. FISCHER: I think that's all I have, your
6 Honor. Thank you.

7 JUDGE DIPPELL: Thank you. Is there
8 cross-examination from Public Counsel?

9 MR. POSTON: Yes, thank you.

10 CROSS-EXAMINATION BY MR. POSTON:

11 Q. Ms. Ross, I'd like to start by discussing the
12 impacts of your proposal to decouple rates for Atmos. Do you
13 know currently what percentage that most customers pay for the
14 fixed element versus the volumetric element for the non-gas
15 portion of their rates?

16 A. No.

17 Q. In your surrebuttal you responded to Public
18 Counsel's evidence showing the low-use customers would see
19 52 to 173 percent increase under your proposal. And you have
20 three general responses; is that correct? I believe it's
21 page 3.

22 A. Page 3. Yes.

23 Q. And first, you highlight that
24 Ms. Meisenheimer's schedule is based on two years of data
25 rather than one year; is that correct?

1 A. Yes.

2 Q. And do you know where Ms. Meisenheimer
3 obtained the two-year data for her schedule?

4 A. I believe that she -- offhand, no, I don't.

5 Q. Looking at that, is that the same data you
6 obtained -- that you obtained in a data request to Atmos? Is
7 that similar data at least, if you don't know if that's the
8 exact data?

9 A. I would need to look at that to --

10 Q. That's not necessary. Do you believe using
11 less than all available data and extracting a year's worth of
12 data would have yielded different percentages?

13 A. I'm sorry. I don't understand your question.

14 Q. I guess your criticism is that she used two
15 years of data rather than one year of data; is that correct?

16 A. Yes.

17 Q. And would using just one year of data have
18 yielded a different percentage?

19 A. No, it would not.

20 Q. Do you mean on average?

21 A. Yes.

22 Q. Turning to your Schedule 1 from your
23 surrebuttal, which I believe has been corrected and is now
24 Exhibit 137, okay, why did you select 200 CCFs per year as the
25 low end?

1 A. We just wanted to run this at various usage
2 levels and that was arbitrary.

3 Q. Have you done any studies to determine the
4 number of Atmos customers using less than 200 CCFs per year?

5 A. No, I have not.

6 Q. Do you know how many Atmos customers fall into
7 each of your different usage amount categories?

8 A. No, I do not. Not -- not in these categories.
9 I do have some information as to larger categories.

10 Q. And turning back to that table that
11 Mr. Fischer was asking you about on page 6 of your
12 surrebuttal, your table shows a four-person home using gas for
13 water heating only would consume approximately 288 CCFs.
14 Correct?

15 A. That's correct.

16 Q. If a single ratepayer living alone in a
17 one-bedroom apartment used gas for water heating only would
18 you estimate her water heating consumption to be about a
19 fourth of that?

20 A. No.

21 Q. And please explain.

22 A. I don't think it would be a fourth. It
23 wouldn't be this high. I don't know where it would be, but I
24 don't think that they use exactly a fourth of the hot water as
25 a four-person household.

1 Q. What would you estimate? Would you estimate
2 it to be under 100?

3 MR. BERLIN: Objection. I think he's calling
4 for the witness to speculate. She's already answered that she
5 doesn't know the question -- know the answer to the question.

6 MR. POSTON: I'm asking her to estimate based
7 on the data she's reviewed. I'm not asking her to speculate.

8 THE WITNESS: I'm trying to remember because
9 I --

10 JUDGE DIPPELL: Wait just a moment, Ms. Ross.
11 I'll overrule the objection. Let her estimate, if she knows;
12 if she doesn't know, she can state so.

13 THE WITNESS: I'm trying to remember because I
14 looked at some information last night at home in another
15 context that was talking about housing allowances for
16 Section 8 housing. And they actually had an estimate in
17 there, but I don't -- I don't remember what that was.

18 BY MR. POSTON:

19 Q. On Thursday, Commissioner Appling raised a
20 concern about there being a substantial low-income population
21 of ratepayers in the southeast Missouri area.

22 A. Yes.

23 Q. Were you here for that?

24 A. Yes.

25 Q. And have you provided any studies on the

1 impact that your decoupling proposal could or would have on
2 low-income and perhaps elderly customers that may be on fixed
3 incomes?

4 A. It would have the same impact on those
5 customers as it would have on any customer.

6 Q. Have you provided any studies?

7 A. No.

8 Q. And what does Schedule 1 to your surrebuttal
9 show -- corrected Schedule 1, as the annual increase a
10 low-income -- or low-use customer in Kirksville will expect to
11 see if the Commission accepts your rate design?

12 A. Kirksville. And when you say "low-use," do
13 you mean the 200 user?

14 Q. Yes.

15 A. Okay. In Kirksville they would see annual
16 increase of 148.32 and a monthly increase of 12.36.

17 Q. And can you tell me where a low-use customer
18 on a fixed income will find the additional resources to pay
19 for that increase if the Commission approves your rate design?

20 A. No, I cannot.

21 Q. With Atmos agreeing to no increase in revenue
22 in this case, what will this customer be getting in return for
23 paying \$148 more?

24 A. The satisfaction of paying the cost to serve
25 them.

1 Q. Isn't it true you testified earlier that you
2 did not know the cost to serve these customers?

3 A. Yes.

4 Q. Did you consider whether your decoupling
5 proposal, if approved, could cause a number of low-use
6 customers to drop off the system if rates go up substantially?

7 A. Yes.

8 Q. Did you somehow incorporate those
9 considerations into your proposal?

10 A. No.

11 Q. If a customer drops off the system
12 permanently, how much will Atmos recover from that customer to
13 pay for the cost of service line and meter that are no longer
14 in use?

15 A. Nothing.

16 Q. Would you agree that space heating and water
17 heating are the primary drivers that encourage a gas utility
18 to invest in extending its facilities to serve a new
19 residential facility and not the smaller users?

20 A. Could you rephrase that?

21 Q. Would you agree that space heating and water
22 heating are the primary drivers that encourage a gas utility
23 to invest in extending its facilities to serve a new
24 residential community and not the smaller users such as gas
25 fireplaces?

1 A. A new residential community?

2 Q. Yes.

3 A. I don't know.

4 Q. In your surrebuttal you state that, Where
5 decoupling causes certain customer bills to increase, Atmos
6 will have to compete. Do you agree with that? You say that I
7 believe in page 9 of your surrebuttal.

8 A. Yes, I did say that.

9 Q. And are you referring -- are you referring to
10 competition with propane?

11 A. Competition with propane, competition with
12 electric.

13 Q. And did you do any studies to determine the
14 cost it would take a customer to switch to a competitor?

15 A. No. Not in this case.

16 Q. I'd like to turn to the issue of conservation,
17 customer conservation, talk about that.

18 A. Okay.

19 Q. You state in your Direct Testimony that your
20 decoupling proposal will remove disincentives for Atmos to
21 encourage conservation and efficiency; is that correct?

22 A. That's correct.

23 Q. And will there be a cost associated with Atmos
24 promoting energy conservation and efficiency?

25 A. It's my understanding that Atmos has agreed to

1 promote efficiency, perform audits --

2 Q. That's not my question. My question is, will
3 there be a cost associated with these things?

4 A. Yes.

5 Q. Okay. And who will pay that cost?

6 A. At this -- during -- under the Atmos proposal,
7 Atmos will.

8 Q. Has Staff made attempts prior to this case to
9 encourage Atmos to promote energy efficiency and conservation?

10 A. This is the first Atmos case -- this is the
11 first time Atmos has come in for a rate case.

12 Q. Does that mean no --

13 A. No.

14 Q. -- Staff has not made attempts?

15 And do you believe that removing a
16 disincentive to encourage conservation and efficiencies
17 achieves the same result as trading an incentive?

18 A. Absent knowing what that incentive would be, I
19 don't know.

20 Q. I'd like to turn to page 8 of your
21 surrebuttal. And there's a question that asks you, What are
22 your comments on these bill reduction techniques? You're
23 responding to Ms. Meisenheimer. Could you please read your
24 sentence that begins at line -- on line 6 and ends on line 8,
25 that sentence?

1 A. The suggestion that customers can lower their
2 bills by reducing consumption ignores the fact that many
3 customers have already lowered their bills as much as they
4 possibly can using current information and resources that are
5 available to them.

6 Q. Would you agree that customers -- that many
7 customers have not lowered their bills as much as they
8 possibly can?

9 A. Yes, I could agree with that.

10 Q. Do most Atmos' customers have their
11 thermostats set as low as they will go?

12 A. I do not know.

13 Q. Do most Atmos' customers have their homes as
14 insulated as possible?

15 A. I do not know.

16 Q. And do most Atmos' customers have the most
17 efficient appliances?

18 A. I don't know.

19 Q. And you state, I believe it's the same page,
20 that a customer can still benefit from conservation under your
21 decoupling proposal by savings on the gas cost portion of the
22 bill. Correct?

23 A. That is correct.

24 Q. And would you agree that all else equal, the
25 greater the percentage of gas cost that is tied to usage, the

1 greater the customer's reward would be for conservation?

2 A. If you mean -- do you mean the greater the
3 percentage of gas cost or the greater the percentage of
4 volumetric cost?

5 Q. The greater the portion of the customer's bill
6 that is tied to -- tied to a volumetric piece, the higher that
7 is, then the greater their ability to see conservation or see
8 a bill reduction from their conservation efforts?

9 A. That is correct.

10 Q. Okay. Would you agree that a customer
11 practicing energy conservation today would see a higher
12 percentage of savings from the gas cost portion of their bill
13 than they would have 10 years ago?

14 A. Yes, I agree.

15 Q. And is that because while the gas cost portion
16 was rising, the non-gas cost portion of the bill was not
17 changing equally?

18 A. Yes.

19 Q. And while gas costs were rising, have the
20 non-gas costs been decreasing, increasing or remaining
21 relatively the same?

22 A. For this company, they've been remaining
23 relatively the same since they haven't been in for a rate
24 increase.

25 Q. And what impact would that have on the dollar

1 savings, not percentages, that a customer would see on the
2 non-gas portion of their bill from conservation?

3 A. I -- I'm not sure I follow your question.

4 Q. Well, you're saying that the non-gas portion
5 of the bill's going to remain relatively the same. So to the
6 extent today a customer has the ability to see savings on the
7 non-gas portion based on conservation, what impact does the
8 non-gas portion remaining the same have on the customer's
9 ability to see conservation benefits?

10 A. Mr. Poston, I still don't quite understand
11 what you're asking.

12 Q. Okay. You've testified that the non-gas
13 portion of the bill has been relatively the same. Correct?

14 A. Correct. In dollar terms, yes.

15 Q. So a customer conserving, say, 10 years ago
16 and practicing the same conservation practices today, would
17 the dollar amount savings that they experience be about the
18 same?

19 A. On the non-gas portion of their bill?

20 Q. Right.

21 A. That is correct.

22 Q. Okay. You state in your testimony that a
23 customer may believe it's -- may believe it is unfair that
24 part of their bill does not decrease when usage decreases
25 whether it's due to conservation or warm weather; is that

1 correct?

2 A. Yes.

3 Q. And why would customers believe this is
4 unfair?

5 A. I believe that there will always be resistance
6 to change. They might believe that it's unfair because
7 they're paying the same amount for their delivery service
8 as -- than they were paying before if -- when they used larger
9 volumes of gas. If they don't understand the nature of the
10 delivery service, then they might think that's unfair.

11 Q. Okay. I'd like to move away from the
12 conservation and talk about traditional -- your criticisms of
13 traditional rate design. And are you familiar with Atmos's
14 current rate design?

15 A. Yes.

16 Q. Okay. And could you please explain?

17 A. Atmos currently has a two-part rate design.
18 They collect part of their revenues through a fixed charge, a
19 customer charge, and the other part of their non-gas costs
20 through volumetric rate.

21 Q. And that's a traditional type of rate design?

22 A. Yes, that's traditional.

23 Q. And can you please explain why rate design
24 traditionally has included a volumetric element in the non-gas
25 rate?

1 A. It's my understanding that in the past when
2 the non-gas portion of the bill was more important, was a
3 higher percentage of the bill, that that was an attempt to
4 encourage conservation.

5 Q. Isn't it true that under traditional rate
6 design, rates are normalized for weather so that in the long
7 term, the weather impact on usage will level out and offer no
8 benefits on either the customer or the company?

9 A. In the long term, that's true.

10 Q. Okay. And you say in your testimony that the
11 long-term impact of traditional rate design is that everybody
12 losses whether usage is more than expected or less than
13 expected; is that correct?

14 A. I'm sorry. Let me look at that. That's in my
15 direct, isn't it?

16 Q. Direct, I believe page 12 or 13.

17 A. Yes, I did say that.

18 Q. Do you agree with that?

19 A. Yes.

20 Q. Did Staff determine in this case that Atmos is
21 not recovering its cost of service -- or its cost of serving
22 its customers?

23 A. No, they did not.

24 Q. Did Staff's testimony conclude that there's
25 evidence of earning erosion for Atmos?

1 A. No. Not that I know of.

2 Q. Did Staff's testimony conclude that the
3 financial health of Atmos is suffering?

4 A. That -- I can't answer that question.

5 Q. How will Atmos lose if they over-collect, keep
6 the excess and then are ordered to reduce rates to just and
7 reasonable levels?

8 A. In the context that I was using in here, they
9 would lose because they had to give the money back if rates
10 are being lowered to just and reasonable levels.

11 Q. And do you know if the Commission relied on
12 cost studies when it approved the rate design currently in
13 effect?

14 A. Not for all of Atmos's districts. It's my
15 understanding that Greeley was the -- the rates for Greeley
16 were set in an application case.

17 Q. Okay. For the other six districts, it's your
18 testimony the Commission did rely on cost studies to set those
19 rates?

20 A. I believe that those rates were all the result
21 of negotiated settlements. So to the extent that the
22 Commission approved those, then yes.

23 Q. Do you have reason to believe there was no
24 cost justification for the Commission when it ordered the
25 current rate design for Atmos's predecessor companies?

1 A. I'm not sure how to answer that. When I
2 looked back at some of the old cases, I couldn't find a cost
3 of service study that -- that the rates were definitely set
4 on. So, again, I believe that they were somewhere in the
5 range of reasonableness.

6 Q. In your Rebuttal Testimony, page 8 and 9, you
7 include a table that you claim shows an inequity between
8 different districts under the current rate design; is that
9 correct?

10 A. Yes.

11 Q. And where in your table do you show the cost
12 to serve each district?

13 JUDGE DIPPELL: I'm sorry, Mr. Poston. What
14 page was that?

15 MR. POSTON: Page 8, rebuttal. Bottom of
16 page 8, top of page 9.

17 JUDGE DIPPELL: Okay. Go ahead.

18 MR. BERLIN: What testimony?

19 MR. POSTON: Rebuttal.

20 THE WITNESS: Could you repeat your question?

21 BY MR. POSTON:

22 Q. Where in your table do you show the cost to
23 serve each district?

24 A. I guess my answer would be to that that I
25 don't. I'm basing it on current rates.

1 Q. Following that table, you say that you've not
2 seen any justification for this level of cost differential.

3 A. I have not.

4 Q. Okay. And what cost differential are you
5 referring to if you haven't identified the costs?

6 A. Perhaps I should have said this level of
7 revenue differential. I can't imagine that it costs -- for
8 example, if you look at the Kirksville/Hannibal district, I
9 can't believe that it costs about twice as much to serve a
10 customer in the Hannibal/Canton/Bowling Green district as it
11 does to serve a customer in the Kirksville district.

12 Q. And you're basing that upon?

13 A. Experience.

14 Q. Just your belief?

15 A. My belief.

16 Q. Experience?

17 A. I talked to our gas safety people, asked the
18 type of equipment, you know, that a residential customer has
19 on them in these various districts and it sounds largely the
20 same.

21 Q. And also in your Rebuttal Testimony, I'll move
22 you back to page 12, you say, The traditional rate design
23 proposed -- or endorsed by Public Counsel does not do anything
24 to address the provisions of Senate Bill 179; is that correct?

25 A. That is correct.

1 Q. And you say, The legislature has spoken
2 through this Senate bill that revenue stability is desirable
3 for Missouri LDCs; is that correct?

4 A. Yes.

5 Q. Have you read Senate Bill 179?

6 A. Yes, I have.

7 Q. Did the legislature say revenue decoupling is
8 desirable?

9 A. I would have to look back at it to see exactly
10 what they said, exactly how they put it.

11 MR. POSTON: May I approach?

12 JUDGE DIPPELL: Yes.

13 BY MR. POSTON:

14 Q. Can you please identify what I've just handed
15 you?

16 A. This is a copy of the Missouri Revised
17 Statutes, Chapter 386, Public Service Commission, section 3--

18 MR. BERLIN: Judge, I don't have a copy of
19 that, what he just handed the witness.

20 JUDGE DIPPELL: Mr. Poston, can you --

21 THE WITNESS: -- Section 386.266.

22 MR. BERLIN: Judge, perhaps we could just take
23 a quick break and get some copies made if he's going to ask
24 her a line of questioning.

25 JUDGE DIPPELL: Are you about to ask Ms. Ross

1 about a statute?

2 MR. POSTON: She's testified in her testimony
3 about saying the Public Counsel has not considered Senate
4 Bill 179. And I just wanted to point out a few provisions in
5 there. I mean, it could be just a matter of me just pointing
6 one out, if that's --

7 JUDGE DIPPELL: I'm just questioning whether
8 that's not better pointed out in your brief than on the
9 witness stand.

10 MR. POSTON: That's fine.

11 JUDGE DIPPELL: Thank you.

12 BY MR. POSTON:

13 Q. Okay. I'd like to move away from the
14 residential -- so we're almost done -- and talk about the
15 other classes.

16 A. Okay.

17 Q. And you filed testimony in MGE's rate case.
18 Correct?

19 A. That is --

20 Q. GR-2006-0422?

21 A. That is correct.

22 Q. And did you propose your decoupling rate
23 design for MGE's small general service class?

24 A. I believe --

25 MR. BERLIN: Objection. Counsel's question

1 calls for an answer to a case that's currently under
2 litigation right now and those parties are not present.

3 JUDGE DIPPELL: I'm going to overrule that.
4 There was testimony -- I thought there was testimony provided
5 about MGE comparing from Staff not in Ms. Ross's testimony.
6 I'm sorry. Mr. Berlin, restate your objection.

7 MR. BERLIN: Well, Judge, my objection is
8 based on that the MGE rate case is a case that is currently
9 being litigated before the Commission. I think it's
10 irrelevant to this proceeding, number one; and number two, any
11 questions regarding the MGE rate case I believe would require
12 that those parties in that case be present so that any
13 questions regarding that litigated case might be answered by
14 those parties.

15 JUDGE DIPPELL: Well, I don't know what
16 Mr. Poston's question was going to be yet to determine whether
17 or not it's relevant, but I don't believe it's necessary to
18 have the other parties to the case present. If there's some
19 notice, some -- if some substantive issue comes about that
20 needs to be notified to the other parties in that case so that
21 they can respond in that case, the Commission can make such
22 notice available, but it will be in the transcript.

23 So I'm going to overrule the objection. I'll
24 let you make an objection regarding relevance once I hear the
25 question.

1 BY MR. POSTON:

2 Q. In the MGE case, did you propose your
3 decoupling rate design for MGE's small general service
4 customers?

5 A. I'll be honest --

6 MR. BERLIN: Your Honor, I still have to
7 object. I just don't -- that simply is not relevant to this
8 rate case proceeding.

9 MR. POSTON: Your Honor, if I may respond.

10 JUDGE DIPPELL: Mr. Poston.

11 MR. POSTON: To the extent that Staff did not
12 propose the same rate design for small general service in that
13 case, we believe the Commission and the parties here should
14 understand why.

15 MR. BERLIN: Judge, each case comes -- each
16 case comes to this Commission on its own merits. This is a
17 rather unique case, as I indicated in my opening statement and
18 the opening statement of the parties. And I still don't see
19 how what Staff may recommend or may not have recommended in a
20 case that is currently being litigated right now before the
21 Commission has any relevance whatsoever to this particular
22 proceeding. I have to object on the record strenuously that
23 MGE be left out of this case.

24 JUDGE DIPPELL: Okay. I don't believe that
25 anything -- I mean, that case isn't final, it's obviously

1 not -- nothing is final with regard to Staff's position in
2 that case; however, I believe it might be relevant with regard
3 to the fact that this -- the history of these cases comes
4 about at the Commission.

5 So I'm going to allow her to answer but the
6 weight of that will go toward -- I mean the relevance of that
7 will go toward the weight of the evidence. Go ahead,
8 Mr. Poston -- or, Ms. Ross, you can answer his question.

9 THE WITNESS: I have filed so much testimony
10 in the last two months that I would actually need to go back
11 to my MGE testimony and look at it. I think I know why, but
12 I'd like to review my testimony before I answer.

13 JUDGE DIPPELL: Are you stating you don't know
14 the answer?

15 THE WITNESS: Offhand. I think I know the
16 answer, but I -- I would hate to say it under oath.

17 MR. BERLIN: Judge, if she's being required to
18 answer that question, then I would ask that we take a break
19 and that she be given the opportunity to review that
20 testimony. If this is the road we're going to go down, then I
21 believe she needs to be prepared to answer those questions.

22 JUDGE DIPPELL: Mr. Poston, do you have a line
23 of questions on this topic or is your --

24 MR. POSTON: No.

25 JUDGE DIPPELL: -- question did they offer

1 this decoupling mechanism in the MGE case?

2 MR. POSTON: Yes. And I was going to then
3 just follow up, just with -- ask for an explanation as to why
4 that was not offered in that case.

5 MR. BERLIN: Your Honor, I think that -- if I
6 understand the point he's trying to make, I think he can
7 certainly ask questions in a manner that leaves MGE out of
8 this proceeding.

9 MR. POSTON: Your Honor, I'm not trying to
10 pull MGE into this case. I'm just trying to understand if
11 perhaps there were problems with that proposal that they
12 identified between the time they filed this case and MGE that
13 perhaps should be brought to light and if those were the
14 reasons why they did not propose the same thing.

15 JUDGE DIPPELL: Okay. I'm going to ask you to
16 continue with your other questions and we will let Ms. Ross
17 refresh her memory with regard to her testimony in MGE -- or
18 proposed testimony, which I'm not even sure what the status of
19 it is, but let's continue on with your other questions and
20 come back to this issue.

21 BY MR. POSTON:

22 Q. Okay. In your Direct Testimony, you discuss
23 Staff's proposal to break the current small general service
24 into two services by adding a medium general service.
25 Correct?

1 A. Yes, that's correct.

2 Q. And you chose 2,000 CCFs as a dividing line?

3 A. Yes.

4 Q. And your reasoning is that the meter regulator
5 and service line installed in the customer's premise would
6 most likely have been larger if the customer was using more
7 than 2,000 CCFs?

8 A. Could you point me to what you're looking at?

9 Q. I believe direct, page 6.

10 A. Six. Yes, that's what I said.

11 Q. And you used the term "most likely" because
12 not all equipment installed would follow this strict dividing
13 line?

14 A. I believe that there could be exceptions. I'm
15 not sure what would drive the exception in general. I believe
16 that -- that they are the same size and that -- that that's a
17 pretty good dividing line.

18 Q. So there could be small general service
19 customers using more than 2,000 CCFs per year that actually
20 have a residential type meter?

21 A. Only if they had a load factor that was
22 different from the residential load factor so they -- so they
23 weren't peaking in the winter and -- they could have the --
24 about the same usage if -- or a higher usage if they were
25 using it steadily all year. My -- I looked at the load

1 factors of the two groups though and they were -- they were
2 very close, the residential and the small general service, the
3 small, small general service.

4 Q. So did you do a study to determine how many
5 customers, under your proposal to divide the small general
6 service class, would actually pay for larger equipment than
7 employed to provide service to that customer?

8 A. No, I did not.

9 Q. And have you submitted any data to show
10 whether this 2,000 CCF dividing line was followed by Greeley
11 Gas, United Cities Gas and Associated Natural Gas Company?

12 A. I'm sorry. Could you -- I didn't understand.

13 Q. Have you submitted any data in this case to
14 show whether this 2,000 CCF dividing line was followed by the
15 three predecessor companies?

16 A. No, I have not.

17 Q. And what is your recommendation for the
18 customer charge for the medium general service and large
19 general service customer?

20 A. I believe that in her Surrebuttal Testimony,
21 Ms. Jackson identified a customer charge of -- I'd have to
22 look. Let me look before I say. I called you Ms. Jackson,
23 didn't I? Ms. Childers. I think it was around \$75.

24 Q. Okay.

25 A. So that would be --

1 Q. That's your recommendation?

2 A. That would be my recommendation.

3 MR. POSTON: That's all I have. Thank you.

4 JUDGE DIPPELL: Thank you. We will come back
5 to the other cross-examination question after we've had a
6 break. Are there questions for this witness on rate design
7 from Commissioner Gaw?

8 COMMISSIONER GAW: A few.

9 QUESTIONS BY COMMISSIONER GAW:

10 Q. Ms. Ross, when did you prepare your original
11 testimony for this case?

12 A. My Direct Testimony?

13 Q. Your original testimony, yes.

14 A. In September 2006.

15 Q. All right. And in regard to the rate design
16 issue on the Staff's position on placing all of the charges of
17 the LDC, other than the PGA charges, into a fixed rate charge
18 for residential consumers, did you decide on that part of your
19 testimony alone?

20 A. Oh, no.

21 Q. You consulted with others?

22 A. Yes. We had several Staff discussions.

23 Q. All right. And this position of Staff in this
24 case in regard to the issue, the customer charge, is this the
25 first time that Staff has taken this position in regard to

1 placing all of the costs in a fixed charge?

2 A. As far as I know, yes.

3 Q. And is it the only time Staff has taken the
4 position since? Has there been any other case where Staff has
5 taken this position?

6 A. This is the same as my position in the MGE
7 case.

8 Q. And when was the MGE -- when was your
9 testimony in the MGE case prepared?

10 A. I -- I couldn't give you a date with --

11 Q. Was it prior to or subsequent to --

12 A. Subsequent to.

13 Q. -- the preparation in this case?

14 A. Subsequent. It was after this.

15 Q. And can you tell me, do you know who made the
16 decision on Staff's part, who had the authority to make the
17 decision on Staff's part as to your position in this case?

18 A. Yes, sir. It was the division directors.

19 Q. Who is that?

20 A. Bob Schallenberg, Warren Wood.

21 Q. And have they filed any testimony in this
22 case?

23 A. No.

24 Q. Are you familiar with whether they had any
25 discussions with anyone above them in regard to this change of

1 position?

2 A. I do not know.

3 Q. And are they present in the building today?

4 A. I don't know.

5 Q. I'll ask counsel in a moment then.

6 Can you tell me, to the extent that you know,
7 whether Staff has taken positions in cases in the past in
8 opposition to the position that the Staff now takes in this
9 case regarding this issue of placing all of these costs into a
10 fixed charge?

11 A. Yes. I believe that we would have in the last
12 MGE case.

13 Q. And do you know whether, in fact, the Staff
14 has taken positions in other cases in opposition to this
15 position besides the one that you just stated?

16 A. I do not know.

17 Q. And who would know the answer to that,
18 Ms. Ross?

19 A. I think Warren -- Warren Wood or Bob
20 Schallenberg would definitely know the answer to that.

21 Q. And are you familiar with the rationale of
22 previous Staff witnesses who have testified on this subject
23 who have testified in opposition to the position that Staff
24 now takes in this case?

25 A. When you say "rationale," do you mean their

1 stated reasons, their thinking process?

2 Q. Are there other reasons that aren't stated as
3 an explanation for why Staff takes positions in cases like
4 this, Ms. Ross? Is it possible that there are other reasons
5 besides those stated by Staff in this case for Staff switching
6 or flip-flopping its position in regard to this issue in this
7 case?

8 A. I'm sorry, sir. I don't -- I can't answer
9 that.

10 Q. You can't answer it because you don't know or
11 you can't answer it because of other reasons?

12 A. Oh, because I don't know.

13 Q. Okay.

14 A. Maybe perhaps I don't understand.

15 Q. Well, you raised the issue -- you raised the
16 issue. You suggested, as I understood it, that there were
17 other reasons that might not be stated for Staff taking a
18 position. I'm just trying to understand what you meant by
19 that.

20 A. Oh, no. I don't know that.

21 Q. You don't know what?

22 A. That -- that there are other -- I'm trying to
23 remember how you said it. That there are reasons other than
24 the ones stated that Staff would take that position.

25 Q. So you don't know if that might be the case?

1 A. I do not know.

2 Q. Were there discussions about the rationale for
3 changing Staff's position in this case among Staff?

4 A. Yes.

5 Q. And can you tell me whether or not you
6 included all of those reasons in your testimony?

7 A. To the best of my ability, I think so. There
8 were -- there were so many -- after we had talked about this
9 for some time, there were -- there were a lot of reasons that
10 I believe that this is a good position.

11 Q. Why don't you list them for me right now?

12 A. Okay. I think it's fair. I do think that it
13 costs the same to -- to serve two residential customers
14 regardless of what their --

15 Q. So your position that Staff took in the past,
16 that it was unfair, you disagree with now?

17 A. Yes. I disagree that it's unfair, yes.

18 Q. Did Staff take the position that it was unfair
19 in the past?

20 A. Not that I know of.

21 Q. And you're familiar with how many cases,
22 Ms. Ross, where testimony was filed on this issue in the past?

23 A. One.

24 Q. But you believe there to be multiple cases
25 where Staff took position in opposition to this position that

1 you're taking in this case. Correct?

2 A. No. That's --

3 Q. You don't know the answer to that question?

4 A. I don't know the answer to that question.

5 Q. Have you done no research as to Staff's prior
6 position on this issue regarding its filings in front of this
7 Commission?

8 A. I have -- I have -- myself, I have not done
9 that analysis. As I said, we talked about this numerous times
10 amongst Staff.

11 Q. You're the only witness for Staff filing
12 testimony on this position. Correct?

13 A. That's correct.

14 Q. And yet you have done no research in regard to
15 the long history that Staff would have had on this issue in
16 the past to assist this Commission in explaining the Staff's
17 change of position from its past positions on this issue?

18 A. Sir, I've been here 17 years and I can only
19 remember it coming up one time before.

20 Q. So there are many cases where Staff has taken
21 the position where one fixed consumer charge -- customer
22 charge is appropriate. Is that what you're suggesting?

23 A. Could you repeat that question?

24 Q. I'll have it read back.

25 THE COURT REPORTER: "Question: So there are

1 many cases where Staff has taken the position where one fixed
2 consumer charge -- customer charge is appropriate. Is that
3 what you're suggesting?"

4 THE WITNESS: No. This is the first.

5 BY COMMISSIONER GAW:

6 Q. This is the first?

7 A. Yes.

8 Q. So in the past, Staff has not taken this
9 position in the 17 years that you have been here; is that
10 correct?

11 A. That is correct.

12 Q. So in the past, Staff has taken the position
13 that that is not the way to handle this particular portion of
14 the charges for customers; isn't that correct?

15 A. I don't know if that follows. We might have
16 felt that there were better ways --

17 Q. But you haven't --

18 A. -- at that time.

19 Q. -- done any research. You have not done any
20 research in order to assist this Commission with the reason
21 why this Commission might want to change its position on this
22 issue. Correct?

23 A. That is correct.

24 Q. And so if I wanted to ask somebody about the
25 reason why Staff is taking a position now that was different

1 than what it had taken in the past or the rationale for its
2 positions in the past, you couldn't help me with that; is that
3 correct?

4 A. I couldn't help you with its rationale for its
5 positions in the past. I could tell you why we're taking this
6 position now.

7 Q. That's not what I'm asking you though, is it?

8 A. No.

9 Q. I'm asking you whether you could help me, and
10 I think you just answered that and said, no, in regard to
11 those issues that -- this issue as it has been approached by
12 Staff in the past. Correct?

13 A. Correct.

14 Q. And Staff is offering no other witness for
15 this Commission to inquire as to what that position has been
16 in the past. Correct?

17 A. Correct.

18 Q. Even though it might appear that Staff is
19 changing dramatically its position on this issue from what it
20 has been in the past. Correct?

21 A. That's correct.

22 Q. So if I want to find that out, the only way
23 I'm going to be able to do that is either to just try to sort
24 through some old cases -- I suppose I could do that. I could
25 go back and see -- have somebody research all of the

1 Commission cases where this might have been an issue; is that
2 true?

3 A. Perhaps I'm misunderstanding. I don't think
4 that this has been an issue before. I don't -- I don't think
5 anyone proposed this so I don't remember there being a lot of
6 discussion about it.

7 Q. You haven't done any research on it though.
8 You just testified to that; isn't that correct?

9 A. I've been here 17 years and I've been involved
10 in a lot of gas cases. So, no, I have not done research on
11 this. My --

12 Q. You just don't remember, do you, Ms. Ross?
13 And you haven't done any research on it in preparation for
14 this testimony; isn't that correct?

15 A. It's correct that I haven't done any research
16 on this, yes.

17 Q. And you don't recall whether or not this has
18 come up before; is that correct?

19 A. Not with 100 percent certainty, no.

20 Q. So you were listing the reasons why, as I
21 recall, that this was a good position from Staff's viewpoint
22 now in opposition to the only case that you recall in the
23 recent past where the issue has come up. You said that you
24 believed it was fair and I believe we got sidetracked. So
25 what's the rest of your list of reasons?

1 A. A big reason that I think this is a good
2 position is that it removes the disincentive for the companies
3 to promote conservation. I've been working with low-income
4 issues for two or three years now and there's never enough
5 money to help people pay their bills. I believe that that --
6 that helping people pay their bills is a short-term solution
7 and it's needed sometimes, but I think we need to move beyond
8 that and to get to a longer-term solution, which is
9 conservation.

10 Q. Okay. What else? I'm going to come back to
11 that. We'll spend a little time on it.

12 A. Okay. Fairness is the big one. I believe
13 that there are some subsidiary benefit --

14 Q. You've already said that --

15 A. I have.

16 Q. -- one. I'm just wanting to get your complete
17 list before I go back and revisit them. What else? You said
18 fairness and you said removing this disincentive for
19 conservation that the company might otherwise have. And is
20 there anything else I should include on that list?

21 A. Yes. I believe that it -- that it works to
22 spread out the revenues. It -- it lowers their winter peak.
23 Not a lot, but some. I think that's good for customers.

24 Q. Anything else?

25 A. I'm thinking. I'm thinking. I think it sends

1 the correct price signals to customers, especially those that
2 are looking at coming on the system. The subsidization, the
3 cross-subsidization issue, that would be part of the fairness
4 issue. Let me look for a second because I do have a list.
5 That's all that I can come up with right now.

6 Q. Okay.

7 A. There may be some more in my testimony.

8 Q. Well, I'm asking for a complete list. If you
9 come up with some before you get down, maybe you could go back
10 to them.

11 Now, let's go back to this question about --
12 on this point that you made about spreading out revenues and
13 lowering the winter peak. I'm not sure I understand that.
14 Can you explain that in more detail?

15 A. By having a flat charge year-round, it will --
16 at the current time, customers pay a lot in their volumetric
17 rate in the winter just when they're paying a lot for their
18 gas. So their -- their winter peak is higher than it would be
19 if they were paying a flat amount throughout the winter for
20 their -- for their non-gas --

21 Q. So you --

22 A. -- charges.

23 Q. -- were not talking about actually lowering
24 the amount of gas that was being used during the winter as an
25 explanation of lowering the peak. You're talking about

1 lowering the amount of price that a customer might pay at a
2 particular time of the year?

3 A. Yes. Absent conservation, that is --

4 Q. Your terminology is a little different than
5 what I'm used to when I'm hearing about lowering peaks so I
6 wanted to understand what you were saying. Okay.

7 Now, in regard to this position that Staff is
8 taking, is there anything in your testimony that indicates
9 that this -- this approach is something that is supported by
10 anyone in particular? Are you pointing out anybody else
11 supporting this position as a rationale for your support of
12 this new position that Staff is taking?

13 A. I -- I'm not sure --

14 Q. Any organizations that might be taking this
15 position or some entities that you believe may be suggesting
16 that this is a better approach for regulation?

17 A. Oh, yes. Yes.

18 Q. That you cited in your testimony?

19 A. There's some that I cited in my testimony.
20 You can hardly pick up a regulatory magazine without reading
21 about revenue decoupling.

22 Q. Yes. Most of those revenue decoupling
23 articles, are they not talking about -- why don't you name the
24 ones that you've got in your testimony for me, first.

25 A. I'm sorry. Well, I have an article -- I have

1 an article by -- or a -- get the right -- Schedule 3
2 attachment to my direct is the NARUC Resolution on Energy
3 Efficiency and Innovative Rate Design.

4 Q. What page is that on again?

5 A. It's -- it's a schedule attached to my direct.

6 Q. What schedule?

7 A. 3.1, 3.2.

8 Q. 3.2, is that the one?

9 A. It's 3.1 and 3.2, yes.

10 Q. Ms. Ross, would it be your understanding that
11 most of these proposals in regard to decoupling are sung to a
12 tune that has two parts, one that talks about decoupling and
13 the other one that talks about conservation?

14 A. I'm sorry. I don't -- what do you mean sung
15 by a tune that has two parts?

16 Q. Maybe I shouldn't be so musical with my
17 question.

18 Let me ask you whether or not it is not true
19 that when we're talking about decoupling, generally the
20 discussion includes conservation?

21 A. Yes.

22 Q. Isn't that true of this resolution from NARUC?
23 It does not just talk about the wonders of decoupling. It
24 also talks about in order to facilitate conservation; isn't
25 that correct?

1 A. Oh, yes. Yes.

2 Q. In fact, decoupling as an issue has arisen
3 because, in part, of the desire to try to come up with ways to
4 implement expansive and innovative conservation programs;
5 isn't that correct?

6 A. That's exactly right.

7 Q. And, in fact, part of the stumbling block for
8 getting conservation programs which ought to be done in this
9 country completed is because utilities seem to resist
10 conservation programs because they believe -- or seem to be
11 protecting their self-interest on their bottom line. And the
12 thought is that decoupling may assist in lowering that
13 resistance; isn't that correct?

14 A. Sir, I would argue that they're working --

15 Q. Isn't that correct? I am asking a yes or no
16 question.

17 THE WITNESS: Okay. Could you read the
18 question back to me, please?

19 THE COURT REPORTER: "Question: And, in fact,
20 part of the stumbling block for getting conservation programs
21 which ought to be done in this country completed is because
22 utilities seem to resist conservation programs because they
23 believe -- or seem to be protecting their self-interest on
24 their bottom line. And the thought is that decoupling may
25 assist in lowering that resistance; isn't that correct?"

1 THE WITNESS: That is correct.

2 BY COMMISSIONER GAW:

3 Q. Okay. Now, in the articles that you have read
4 in regard to decoupling, it is true, is it not, that
5 conservation is always a part of that discussion? In any of
6 the articles that you've read, can you name one where that's
7 not the case?

8 A. No, I can't.

9 Q. All right. In this case that's in front of
10 us, I want you to describe for me in detail all of the
11 conservation programs that will be implemented as a result of
12 the adoption of Staff's position on decoupling in this case.
13 List them for me and give me every detail that you can.

14 A. Okay. Atmos has agreed to put \$78,000 into
15 low-income weatherization.

16 Q. \$78,000.

17 A. 78,000.

18 Q. How much is that per customer?

19 A. 2,600, which is the average per household.

20 Q. \$2,600?

21 A. Per household. And that's the average of the
22 current --

23 Q. Per customer -- in all of the customers
24 there's going to be spent \$2,600. What is that, a year, on
25 all of the customers in Atmos's territory?

1 A. No. \$78,000 a year on the -- on all of the
2 customers --

3 Q. My question was, how much does that amount to
4 per customer, all the customers?

5 A. I'd have to -- I don't know.

6 Q. You could probably make that calculation. How
7 many -- how many --

8 A. I could.

9 Q. -- customers does Atmos have?

10 A. Let's see. I don't see my sheet with the
11 billing determinants on it. Here we go. Just a rough
12 estimate, it looks like they have a little over 50,000
13 residential customers.

14 Q. No, I want to know total of all customers.

15 A. I'd have to -- I'd have to sit down and do the
16 math.

17 Q. Okay. But you say they have 70,000?

18 A. About -- it looks more like in the fifties
19 just from doing some long division here.

20 Q. Fifty -- 50,000 customers?

21 A. Uh-huh.

22 Q. And they're spending 2,600?

23 A. 2,600 for 30 customers.

24 Q. No, no. Well, okay. But 2,600 divided by
25 50,000 would be how much approximately, do you know?

1 A. I should.

2 Q. Well, I wouldn't expect you to do this in your
3 head. If you have calculator -- I'm hearing that maybe it's
4 78,000 total, but if you can't check that out, that's --

5 JUDGE DIPPELL: I just want to clarify because
6 I got a little confused. Ms. Ross, did you say that you
7 thought there was approximately 50,000 customers system-wide?

8 THE WITNESS: 50,000 residential customers
9 over that, yes.

10 JUDGE DIPPELL: Residential customers.

11 THE WITNESS: Yes. Yes.

12 JUDGE DIPPELL: And you testified that the
13 first dollar amount was 78,000 was what the company was
14 proposing?

15 THE WITNESS: Yes. For low -- for low-income
16 weatherization program.

17 JUDGE DIPPELL: And that's for 30 households
18 at \$2,600 per household?

19 THE WITNESS: Yes.

20 JUDGE DIPPELL: Okay. Just wanted to make
21 sure I had all the numbers straight.

22 BY COMMISSIONER GAW:

23 Q. So \$78,000 total?

24 A. Yes.

25 Q. As you say, there's about 50,000 residential

1 customers?

2 A. Yeah.

3 Q. And so if I excluded all the other customers
4 and just focused on residential, would it sound accurate that
5 that would amount to about \$1.56 maybe -- \$1.56 per customer?

6 A. Per year.

7 Q. Per year?

8 A. Yes.

9 Q. But that's only going to be used on
10 30 customers?

11 A. Yes.

12 Q. What else?

13 A. Atmos has also agreed to do a residential
14 audit program, efficiency audit program for all customers, not
15 just low-income customers. And I believe that the program
16 will only cost the customer \$25. Atmos will pick up the rest
17 of the costs.

18 Q. What would the rest of the costs be?

19 A. There will be an energy audit, so somehow
20 their usage will be determined. They'll be counseled as to
21 where they could save some money.

22 Q. Do you know what the rest of the costs would
23 be in addition to the \$25?

24 A. Oh, no. I'm -- I'm a member of the
25 Weatherization Advisory Policy Committee so I called over to

1 DNR and they said they thought that one would cost somewhere
2 from 60 to 100 dollars.

3 Q. And do know how many of these are going to be
4 done?

5 A. They're going to do as many as ask for them.
6 There is no upper limit.

7 Q. And is there any -- okay. Is there anything
8 else?

9 A. No.

10 Q. What else is being done?

11 A. No. That's it.

12 Q. Is that it?

13 A. Yes.

14 Q. Okay. Thank you. I'm sorry. I got
15 distracted.

16 So are you familiar with other kinds of
17 conservation programs that have been tried around the country?

18 A. Tried around the country?

19 Q. Yes.

20 A. Somewhat, yes.

21 Q. Okay. Can you give me a list of some of
22 those?

23 A. Not offhand.

24 Q. Would it be possible for you to come back and
25 give me that list?

1 A. Yep.

2 Q. You're familiar with the so-called PAYS
3 program, for instance. Correct?

4 A. Yes, I am.

5 Q. Or other programs that are similar to that?

6 A. Yes.

7 Q. Can you describe that for me?

8 A. Okay. It's my understanding that the PAYS
9 program -- in the PAYS program, the -- let me think. It's
10 been a long time since I've thought about the PAYS program in
11 detail.

12 The company or another party inspects the
13 residence and recommends cost efficient improvements that they
14 can make. There may be a payback period with some of those,
15 they may need to pay back in -- I forget -- I forget exactly
16 how that worked. I'm thinking there was a saying like 80/80.

17 Anyway, then they're billed for that on their
18 electric bill or on their gas bill, they're billed for the
19 charges. I don't believe that any improvements are made
20 unless it's expected that they -- the improvement will save
21 more for the customer than the amount that they would be
22 billed.

23 Q. But if it's determined that that would be the
24 case, then they may qualify for these loans. Correct?

25 A. Yes. Yes.

1 Q. With the idea that hopefully you will get
2 overall savings for that individual and for the system if the
3 residents or business or whoever qualifies is made more
4 efficient?

5 A. Yes.

6 Q. Okay. And what other programs are -- well, if
7 you want to just look at that and come back, I'll let you do
8 that --

9 A. I do.

10 Q. -- rather than trying to recall off the top of
11 your head.

12 My question then is -- next question is, in
13 regard to what the company is receiving out of this, how much
14 do you think that this reduces the risk of the company in
15 going to this system that Staff proposes?

16 A. I couldn't quantify that.

17 Q. Do you think it does lower the risk of the
18 company?

19 A. Sir, I'm sorry, but --

20 Q. Isn't it true -- isn't it true that you
21 testified earlier that this volatility that may exist in
22 regard to warm weather and other fluctuations, that that can
23 be of some risk to the company's revenue stream?

24 A. It can be of risk to the company and to the
25 customer as well, yes.

1 Q. Isn't it true that it can be a risk to the
2 company? You just said yes. Correct?

3 A. Well --

4 Q. Oh, are you changing your mind?

5 A. No, I'm not changing my mind. I mean, in
6 finance, risk is defined as variation. And so it wouldn't --
7 it wouldn't just be the risk of under-recovery in finance. It
8 would be the risk of over-recovery as well. That's why I'm
9 hesitating. Yes, I believe that revenue volatility is a risk.

10 Q. All right. So do you believe there is less
11 risk to the company in its revenue stream if you go to this
12 proposal that Staff has?

13 A. Yes.

14 Q. All right.

15 A. In its revenue stream.

16 Q. Okay. And -- well, I'll just leave it at
17 that.

18 Now, did you file any testimony that
19 criticized the provision that is in Senate Bill 179 regarding
20 the surcharge for weather fluctuations or conservation or
21 other things?

22 A. That criticized it?

23 Q. Yes, did you?

24 A. No, I didn't.

25 Q. Are you familiar with Staff's brief in this

1 issue -- in this case regarding this issue?

2 A. Yes.

3 Q. Do you recall Staff criticizing the provisions
4 in 179 in its brief?

5 A. No, I don't recall that.

6 Q. Does Senate Bill 179 provide that before the
7 provisions of the bill are effective, that rules would have to
8 be adopted by the Commission?

9 A. Yes. That's my understanding.

10 Q. Are rules adopted -- have rules been adopted
11 regarding the provisions of 179 that have to do with weather
12 normalization or conservation?

13 A. No, I don't believe they have.

14 Q. Rules have not been adopted nor have they been
15 started; is that correct?

16 A. That's correct.

17 Q. And it is a discretionary thing with the
18 Commission as to whether or not those rules are adopted or
19 not, do you know?

20 A. I believe it's discretionary.

21 Q. I'm going to switch topics just for a moment
22 with you. I want to ask whether or not you have filed any of
23 the testimony regarding the reconnection fees when someone
24 gets off the system and then wants to come back on?

25 A. No. Not in this case.

1 Q. Do you know who did that?

2 A. I believe that was Michael Ensrud.

3 Q. Okay.

4 JUDGE DIPPELL: Mr. Ensrud is planning to
5 re-appear for Commission questions.

6 COMMISSIONER GAW: Thank you, Judge.

7 BY COMMISSIONER GAW:

8 Q. Can you refresh my memory regarding
9 non-residential customers? How are you proposing that their
10 customer charge be handled?

11 A. In the case of the smallest -- small general
12 service --

13 Q. I want you to go through the list, but go
14 ahead.

15 A. Okay. Well, in my -- in my testimony I
16 propose that we take the company's customers that are
17 currently classified as SGS and split them because I found a
18 huge variation in the amount of usage. Some of them use zero,
19 some of them use close to a million CCFs in one year. I
20 suggested that we split out the very small ones, the ones that
21 are approximately the size of residential customers and use
22 the re-- residential delivery charge to collect their margin
23 costs.

24 Q. Okay. And the reason for that is again?

25 A. They're small and they're -- they're weather

1 sensitive. They look a lot like residentials --

2 Q. Okay.

3 A. -- if you just look at their characteristics.

4 Q. And the other group?

5 A. For all the other classes I suggested we would
6 have a new medium general service class, a large general
7 service class and a large volume service class. I recommended
8 that we go with the traditional rate design on those
9 customers.

10 Q. And the reason for that was why?

11 A. They're more diverse. A residential customer
12 is a residential customer is a residential customer as far as
13 the equipment that's serving them, as far as I believe the
14 amount of capacity the company has reserved for them. I don't
15 think that can be said as the customers get larger. Some of
16 them are weather sensitive, some of them aren't. There's a
17 huge variation in size.

18 Q. I'm a little confused --

19 A. Okay.

20 Q. -- I think. Explain to me why you view the
21 weather sensitivity as a reason to decide whether or not to
22 put all of the LDCs's charges in a fixed rate charge.

23 A. Well, there are a couple of reasons. There's
24 a reason -- I believe it's beneficial to the customer to not
25 have a relatively high volumetric rate to an average customer,

1 space heater, somebody that is going to peak in the winter. I
2 think that rate design that has a lot of coast -- a lot of
3 cost loaded into the volumetric rate is -- is harmful to those
4 customers.

5 Q. I understand your opinion, but it doesn't --
6 I'm not getting an explanation.

7 A. I don't --

8 Q. Help me to understand what your rationale is.

9 A. Could you read the question again, then?

10 THE COURT REPORTER: "Question: Explain to me
11 why you view the weather sensitivity as a reason to decide
12 whether or not to put all of the LDCs's charges in a fixed
13 rate charge."

14 THE WITNESS: Oh, that's not why I think it's
15 appropriate to put them all on a fixed charge. Would you like
16 for me to explain why I do think it is?

17 BY COMMISSIONER GAW:

18 Q. Yes. I'm trying to understand what your
19 rationale is, so go ahead.

20 A. Okay. I believe that the facilities that
21 it -- and the cost that a company incurs to serve a
22 residential customer doesn't vary with the variation in size
23 of residential customers.

24 Q. Okay.

25 A. Because when they hook up a residential

1 customer, they're not only hooking them up and providing the
2 equipment they need for their intended usage today, they also
3 put in equipment that will serve them if they change that
4 end-use.

5 So, for instance, if somebody gets on -- on
6 the system today and all they're going to do is cook with a
7 gas stove -- and we're just talking residential, they'll put
8 the exact same equipment outside the house on those
9 customer -- on that customer as they would on a customer that
10 came on and said, I'm going to space heat, run a water heater
11 and cook.

12 Q. And why is that?

13 A. There's a couple reasons. One is that the
14 customer that comes on today that's just planning to cook
15 with -- with natural gas might decide in five or ten years
16 that they would like to heat with natural gas. So they have
17 to -- they don't want to have to go back up and dig up the
18 pipe at that point.

19 Q. So that's for the company's benefit so they
20 don't have to do that. Correct? Not necessarily for that
21 particular consumer's benefit that doesn't want any more
22 service?

23 A. Not for that particular consumer. It would be
24 for all consumers' benefit because it would drive the cost up
25 if they -- if they just went in and put in exactly what that

1 person was going to use today and then changed that every time
2 the customer changed their end-use.

3 Q. Go ahead.

4 A. A second is that residential customers' usage
5 is so small that -- that it can be handled by the -- pretty
6 much the smallest equipment that the -- the company has, the
7 smallest pipe, the smallest meter. The mains are put in not
8 only for one customer, they're put in for groups of customers.
9 So -- so you -- you know, I can't say the smallest main for
10 that reason.

11 Q. Now, go over to the other side of the equation
12 where you're talking about those entities that are still going
13 to have a volumetric component.

14 A. Yes.

15 Q. And tell me why for those customers you
16 believe fixed charge isn't appropriate.

17 A. Because if you're talking about a medium
18 general service customer, for instance, and you talk about
19 usage variations, you're not talking about a difference in
20 usage of a few hundred CCFs like you are with residential.
21 You might be talking about a few thousand or tens of thousands
22 or even hundreds of thousands of difference -- yikes -- of
23 usage between customers in the same class when you get to --
24 to the larger classes.

25 At that point it wouldn't be fair to charge

1 them the exact same charge because they -- they very well
2 might have different equipment put on them. You might have
3 two large general service customers and one is a small grocery
4 store and the other is a Super Wal-mart. There's a difference
5 in size, there's likely a difference in equipment that's --
6 that's put on to serve them.

7 Q. Isn't an answer to that if you want to -- if
8 you want to promote your fixed charge, isn't an answer to that
9 just to have more breakdown in your groups, have more slices
10 to your groups so that you can more closely match that fixed
11 component that you are advocating for in the residential
12 classes?

13 A. I guess, yes, although we don't -- we don't
14 design rates on a per customer basis, which is, you know,
15 where you could go to that if you went to the extreme.

16 Q. But you wouldn't advocate going to that --

17 A. Absolutely not.

18 Q. -- extreme, would you?

19 A. I wouldn't.

20 Q. But you might -- you could see some similarity
21 if you go into fixed charges as the gold standard that you're
22 trying to seek for residential customers, having something
23 similar with smaller slices -- or more slices rather of your
24 large customers so you could more closely communicate to those
25 consumers what you're advocating for residential consumers on

1 fixed charges?

2 A. You'd have to have a lot of slices.

3 Q. But you could do it that way, couldn't you?

4 A. Theoretically, yes.

5 Q. Did you do any surveys or has the Staff done
6 any surveys in regard to what consumers would be interested in
7 regarding going to a fixed charge like you're advocating?

8 A. No official surveys, no. I've talked to --

9 Q. That's okay.

10 A. Okay.

11 Q. And I think you may have answered this
12 question, but would you say that based on your experience,
13 that the LDCs that you work with in Missouri would be
14 supportive of going to this fixed charge as opposed to having
15 volumetric component to their LDC charges?

16 A. Yes.

17 Q. In fact, they advocate for it, do they not?

18 A. I can't give you the position of every LDC. I
19 know of at least a couple that have advocated for that, yes.

20 Q. Who are they?

21 A. MGE. I believe that Laclede actually came in
22 with that proposal in a previous case. They -- they ended up
23 with something similar --

24 Q. And --

25 A. -- but --

1 Q. -- that was -- was that the case earlier that
2 you were referring to when you said that Staff had filed a
3 position that was opposite to the one that they had filed in
4 this case?

5 A. No.

6 Q. Was that a different case?

7 A. I was referring to the previous MGE case.

8 Q. So you weren't referring to the Laclede case.
9 And you don't recall what Staff's position was in regard to
10 that case, the Laclede case?

11 A. I read Dr. Proctor's testimony. And I
12 remember that he was not in favor of going to a fixed charge.

13 Q. Dr. Proctor isn't a witness on this case, is
14 he?

15 A. No, he's not.

16 Q. But he has been a witness on this issue in
17 past cases. Correct?

18 A. In that case I know.

19 Q. Yes. But he did not support the Staff's
20 position in this case in that case, did he?

21 A. Could you repeat that?

22 Q. In that case, Dr. Proctor took a position that
23 was different and in opposition to the position that you're
24 taking in this case; is that correct?

25 A. That is correct.

1 Q. And do you recall his rationale for his
2 position?

3 A. I believe it was impact concerns for the
4 low-use customers.

5 Q. Was Dr. Proctor consulted in regard to the
6 position taken by Staff in this case?

7 A. I do not know.

8 Q. While you were present, was he consulted?

9 A. No.

10 Q. What is Dr. Proctor's position with this
11 Commission?

12 A. I -- I couldn't give you his title,
13 Commissioner Gaw.

14 Q. Has he been here very long?

15 A. Yes, he has.

16 Q. How long would you say he's been here?

17 A. Twenty-five years, somewhere.

18 Q. And is he an economist?

19 A. Yes, he is.

20 COMMISSIONER GAW: Subject to getting
21 additional information back so I can continue the questioning,
22 I'll stop right now. Thank you, Judge.

23 JUDGE DIPPELL: I just wanted to clarify. I
24 was going to say exactly what it is you wanted Ms. Ross to
25 provide later?

1 COMMISSIONER GAW: I believe she was going to
2 come back and tell me all of the conservation programs that
3 she has seen around the country.

4 JUDGE DIPPELL: Around the country?

5 COMMISSIONER GAW: Yes. I think that was it.

6 JUDGE DIPPELL: And I will just -- Ms. Ross,
7 is that something that you'll be able to provide during the
8 course of this hearing or do you expect to provide something
9 written after?

10 COMMISSIONER GAW: I need to ask questions
11 about those things, Judge, so whenever.

12 JUDGE DIPPELL: I'll let you work on that when
13 we're on breaks then.

14 THE WITNESS: Yes.

15 JUDGE DIPPELL: Okay. Commissioner Clayton,
16 you had some questions?

17 QUESTIONS BY COMMISSIONER CLAYTON:

18 Q. There were a couple of things if you're going
19 to be digging for information. And I don't want to create a
20 burden that is too great for such a short amount of time. I'm
21 interested in conservation as well as energy efficiency
22 issues. And there were just some specific points that if you
23 have specific information, I wanted to mention these and then
24 you can report back if you have information or if you know
25 anyone on Staff who has the information.

1 I know that there is a program in Vermont on
2 grants for new construction of housing relating to energy
3 efficiency. Illinois has a low-income air conditioning and
4 lighting program on energy efficiency.

5 A. Did you say a low-income?

6 Q. Low-income, room, air conditioner and lighting
7 program. And I may be wrong. And I don't want you to go
8 research this unless you -- if Staff doesn't have any
9 information to support this, I don't expect you to go become
10 an expert.

11 A. The Illinois case I might not because that
12 would be an electric efficiency program.

13 Q. Yeah, yeah, you're right. You're right.
14 Thank you. Wisconsin has a natural gas best practices and
15 program design.

16 A. Okay.

17 Q. And thank you for bringing that up. I'm
18 looking at a -- if you all have any information on Energy Star
19 appliances or programs that recommend the use of Energy Star
20 appliances.

21 A. Okay.

22 Q. I don't know if the Midwest Natural Gas
23 Initiative has anything specific -- well, it's about
24 conservation so it -- I don't know if you all have anything --

25 A. I've -- I've --

1 Q. -- any information about that.

2 A. I think I do.

3 Q. Well, there's a lot of information out there.

4 It just seems like this is a wonderful opportunity, if we're
5 going to talk about decoupling, that we ought to be
6 emphasizing the conservation or providing some leadership
7 associated with conservation.

8 And I think one of the big problems that we've
9 had nationwide is that there's been, it seems like, not a
10 clear message on what is the appropriate action to take. And
11 I think at our level we need to be providing the guidance, the
12 suggestions for ratepayers to be -- how they can participate
13 in these programs. And I just -- any information that you can
14 come up with that would support the energy efficiency and
15 conservation side of this discussion would be very helpful.

16 Aside from the weatherization, the 78,000 for
17 low-income folks and the residential audit information, those
18 are the only items related to energy efficiency and
19 conservation included in your testimony --

20 A. Yes.

21 Q. -- is that correct?

22 And Staff doesn't have any additional
23 witnesses that will address those issues --

24 A. No.

25 Q. -- correct?

1 Okay. Does Office of Public Counsel address
2 this in their testimony that and I may have missed?

3 A. I --

4 Q. Do you know?

5 A. I don't believe so.

6 Q. If you don't know, you don't know.

7 Okay. With this move towards the fixed
8 delivery charge versus a volumetric rate design, at what point
9 in the future would you anticipate that Staff would propose
10 energy efficiency changes or modifications or suggestions or
11 leadership, however you want to -- how far off in the future
12 would those suggestions come from Staff, if ever?

13 A. For this company or --

14 Q. Yes.

15 A. I suppose it would be the next time they came
16 in for a rate case.

17 Q. The next rate case?

18 A. Yeah.

19 Q. So is there a rationale behind waiting until
20 the next rate case to address those issues? Is there reason
21 to wait that long?

22 A. Well, if we were going to -- I know that with
23 some of the other companies' programs -- I've been involved in
24 the AmerenUE gas program. I believe we meet once or twice a
25 year and go over to see if funds need to be shifted here or

1 there, if rebates changed. We would -- we would do something
2 like that on this program.

3 Q. Ameren Gas, I think they have a residential
4 audit of energy usage, don't they?

5 A. They have an online audit I believe.

6 Q. Well, I think I got a phone call personally
7 from them doing an audit, but you're not aware of that?

8 A. No.

9 Q. As an Ameren Gas customer I mean, I got a
10 call. It wasn't outside the --

11 A. Right.

12 Q. Don't have to file an ex parte here is not
13 what I'm saying.

14 A. No, not the audit. I'm familiar with their
15 furnace -- their furnace rebate program.

16 Q. How many programs -- would you say -- of all
17 the LDCs in the state, would you say that AmerenUE Gas is the
18 most ambitious of all the companies in terms of energy
19 efficiency or is there another company -- I don't want to say
20 most ambitious, but --

21 A. Right.

22 Q. -- but who has the most going on right now
23 that you're aware of?

24 A. I know that Aquila -- or what used to be
25 Aquila had -- it seems like they had several efficiency

1 programs. It's been a couple years since they've been --

2 Q. That would be Empire now? The Empire Gas
3 Companies now?

4 A. Yes.

5 Q. Did you look at any of those programs prior to
6 filing your testimony?

7 A. Not recently, no.

8 Q. Not recently? Okay. Are there things being
9 done in the state with other LDCs that would be appropriate in
10 this case?

11 A. Most, if not all, of the other LDCs do give
12 money for weatherization.

13 Q. Just weatherization?

14 A. For the low-income weatherization.

15 Q. How about energy efficiency, conservation
16 programs, Energy Star --

17 A. Yeah.

18 Q. -- distribution?

19 A. I mean, any of them could be appropriate, yes.

20 Q. Okay. Well, I'm not sure how much time -- how
21 much time is going to be afforded to you, but I think that
22 information would also be helpful.

23 A. Of the other -- the other utilities in the
24 state?

25 Q. Well, their programs -- I mentioned other

1 states originally and those are just places that I'm aware
2 have some sort of program. I don't expect you to become an
3 expert in an hour and a half on Wisconsin's natural gas usage
4 reduction program or whatever it is. I don't expect you to
5 become an expert.

6 However, Staff, in general, should be aware of
7 other energy efficiency programs that are being done currently
8 in the state of Missouri. And I guess, why couldn't those
9 move over? If we implement this rate design, then there -- it
10 seems that there wouldn't be the obstacle that would appear in
11 other cases. At the very least, could we consider what is
12 currently going on with other LDCs in regard to energy
13 efficiency and conservation?

14 A. Sure.

15 Q. Does that make sense?

16 A. Yes, it does.

17 COMMISSIONER CLAYTON: Okay. Thank you.

18 THE WITNESS: You're welcome.

19 JUDGE DIPPELL: All right. Let's go ahead and
20 do further cross-examination based on questions from the Bench
21 and then after we get through as much as we can with Ms. Ross,
22 then we'll break for lunch. I think we'll be able to --
23 Atmos.

24 MR. FISCHER: Your Honor, I'm going to have
25 extensive questioning of this witness based upon questioning

1 from the Bench.

2 JUDGE DIPPELL: Okay.

3 MR. FISCHER: I can go forward, but it might
4 make more sense unless you want to sit here for a while.

5 JUDGE DIPPELL: Okay. Well, maybe we should
6 just go ahead --

7 COMMISSIONER CLAYTON: If we're going to come
8 back to his questions then, I don't know that --

9 JUDGE DIPPELL: Okay. We'll go ahead then and
10 break for lunch and perhaps we'll give Ms. Ross enough time to
11 answer Commissioner Gaw's question. We can pick back up with
12 Commissioner questions after lunch and then just go straight
13 through.

14 Okay. Let's break for lunch. Let's come
15 back -- it's a quarter 'til 1:00. Let's come back at
16 two o'clock. Go off the record.

17 (A recess was taken.)

18 JUDGE DIPPELL: Okay. We'll resume. Ms. Ross
19 is retaking the stand and we'll resume with Commissioner
20 questions. Perhaps Ms. Ross can update the Commission or,
21 Mr. Berlin, you had some additional information also. Perhaps
22 you'd like to share what you all have been able to put
23 together at this point.

24 MR. BERLIN: Yes, Judge. In response to
25 Commissioner Clayton's questions regarding various energy

1 conservation-, weatherization-type programs, over the lunch
2 break we were able to copy different tariff provisions
3 reflecting those particular programs. I'm not sure the best
4 way to introduce this. Perhaps by taking administrative
5 notice or --

6 JUDGE DIPPELL: I think --

7 MR. BERLIN: We have copies for everyone here.

8 JUDGE DIPPELL: -- I'd like to go ahead and
9 just go ahead and mark those just as an exhibit just to keep
10 it straight in the record. So we could mark those tariffs as
11 Exhibit 138 and the Commission can take official notice of
12 those.

13 Would there be any objection to the Commission
14 taking official notice of the tariff provisions of the other
15 LDCs in Missouri?

16 Seeing none, then the Commission will take
17 notice of those.

18 MR. BERLIN: Judge, would now be a good time
19 to pass out the copies?

20 JUDGE DIPPELL: Yes, please. If you can just
21 give me six copies and one for the court reporter. And,
22 Mr. Berlin, there was one company that you hadn't yet gotten
23 to; is that correct?

24 MR. BERLIN: Yes, Judge. I have to go through
25 the list just to keep it organized in my mind here what we're

1 still working on. Okay. The next one is Ameren.

2 JUDGE DIPPELL: Okay. This was just Empire
3 or --

4 MR. BERLIN: I think I passed out Empire first
5 and I now have Ameren. I don't know if you want to mark them
6 consecutively as exhibits or if you want to do it under one
7 exhibit number.

8 JUDGE DIPPELL: I'll just call them one
9 exhibit, it will just be several parts.

10 MR. BERLIN: I'm bringing Southern Missouri Gas
11 to you, Judge. This next one, Judge, is Laclede Gas Company.
12 And the next one, Judge, is MGE.

13 (Exhibit No. 138 was marked for
14 identification.)

15 JUDGE DIPPELL: And that's all of the tariffs;
16 is that correct, Mr. Berlin?

17 MR. BERLIN: That is correct, Judge. Judge, I
18 do have one other document here. I think it's in response to
19 Commissioner Gaw's questions to -- I'm not entirely sure, but
20 we have here a -- Responding to the Natural Gas Crisis,
21 America's Best Natural Gas Energy Efficiency Programs dated
22 2003. We have that here as well. I don't know if -- what the
23 proper time might be to introduce that.

24 JUDGE DIPPELL: This is as good as any. And
25 you've given copies of that to counsel. I'll mark that as

1 Exhibit 139.

2 (Exhibit No. 139 was marked for
3 identification.)

4 JUDGE DIPPELL: And then I'll let you offer
5 that with Ms. Ross if that's --

6 MR. BERLIN: I think, Judge, that we already
7 admitted her testimony into evidence according to my records.

8 JUDGE DIPPELL: Yes. Yes. I'm sorry. I
9 meant -- well, let me just ask Ms. Ross.

10 Is this meant to be the list in response to
11 Commissioner Gaw's question?

12 THE WITNESS: Actually, I think it was
13 Commissioner Clayton's questions about -- but I think
14 Commissioner Gaw asked some questions too about programs in
15 other states. So it's a lengthy report so I just copied off
16 through the executive summary and then the -- there's an
17 appendix at the end that I added. And I can provide the
18 entire report if anyone wants that.

19 JUDGE DIPPELL: Okay. And so I guess did you
20 have other information in response to Commissioner Gaw's
21 question about conservation programs?

22 THE WITNESS: I do. I will need to make a --
23 to make copies of this. The Oklahoma Commission Staff
24 completed a survey on October 27th, a state survey. And they
25 asked questions about decoupling and then they asked some

1 questions about incentives -- incentives to promote the
2 efficient use of energy and about any programs that they might
3 have. And I'll make copies of that, but it takes legal paper
4 and we don't have one.

5 JUDGE DIPPELL: Okay. Commissioner Gaw, does
6 that give you enough to get started on asking the remainder of
7 your questions?

8 COMMISSIONER GAW: I think it will be a start.
9 I would like to see the rest of this report that's labeled
10 Exhibit 139.

11 JUDGE DIPPELL: Okay. Can Staff provide the
12 Exhibit 139 in its entirety then as a late-filed exhibit? Is
13 that okay, Commissioner Gaw?

14 COMMISSIONER GAW: Yes, Judge.

15 THE WITNESS: Yes.

16 FURTHER QUESTIONS BY COMMISSIONER GAW:

17 Q. Okay. Let me ask you, in regard to
18 Exhibit 139, first of all, what is this document?

19 A. Okay. Is this the Responding to the Natural
20 Gas Crisis? Okay. This is a report done by the American
21 Council For an Energy Efficient Economy. And in 2003, when
22 the natural gas prices started increasing rapidly and it was
23 becoming apparent that they were going to stay up, they --
24 they did a national survey on the different types of energy
25 efficiency programs being -- being carried out around the

1 country.

2 Q. And the authors here are listed on the front
3 page, this Dr. Martin Kushler, Dr. Dan York and a Patty Witte
4 (ph. sps.); is that correct?

5 A. Yes. That's how I'd pronounce it.

6 Q. Okay. And tell me who -- if you know, who the
7 American Council for an Energy Efficiency Economy is.

8 A. I don't -- I don't know well enough to explain
9 it. I believe it's a -- it's a national group obviously, so I
10 guess my answer to that would be I don't know.

11 Q. There are acknowledgments on page II. Do you
12 see that?

13 A. II?

14 Q. Yes.

15 A. Yes.

16 Q. It appears that there -- that there are
17 varying organizations that provided support for the work. Are
18 you familiar with any of them?

19 A. I've done some research on -- on at least one
20 of them.

21 Q. Can you tell me which one?

22 A. Yes. The New York State Energy Research and
23 Development Authority.

24 Q. Okay. And who is that?

25 A. They're a state body set up by New York.

1 It's -- it's a very comprehensive state organization.

2 Q. Okay.

3 A. New York's trying to take a very comprehensive
4 approach to energy efficiency, energy usage. So it's not all
5 residential, it's not all low-income, it's just covering the
6 entire spectrum of -- of energy issues for the state of New
7 York.

8 Q. Okay. And you're familiar, of course, with
9 Wisconsin Public Service Commission?

10 A. Yes.

11 Q. They're listed there. Correct?

12 A. Yes.

13 Q. And that would be the body that's similar to
14 the one here only in Wisconsin?

15 A. Yes.

16 Q. Okay. And then I also note that there's some
17 utilities that appears there, Excel Energy; is that correct?

18 A. Yes.

19 Q. That's a utility. Correct? It says Excel
20 Energy and the Excel CIP Advisory Group, but I'm just talking
21 about Excel Energy in my question.

22 A. Okay.

23 Q. That is a utility. Correct?

24 A. Yes.

25 Q. And do you know who the Northwest Natural Gas

1 Company is? I assume that's a utility, but I don't know.

2 A. I believe they're from Washington and, yes, I
3 believe that's a utility.

4 Q. Okay.

5 A. It might be Oregon. I'm not sure.

6 Q. Okay. Gas Networks, do you know who that is?

7 A. No.

8 Q. I'm not familiar either. All right. Have you
9 reviewed this entire document, not just the executive summary,
10 at some point?

11 A. It's been -- at some point I have. It's been
12 a couple of years. When we were writing the report for the
13 long-term energy affordability task force report.

14 Q. It was one of the documents you looked at
15 then?

16 A. Yes. Yes.

17 Q. And that task force was -- was a task force
18 that was in operation when? Within the last two or three
19 years?

20 A. 2004 I think is when we filed the report. It
21 might have been 2005.

22 Q. Okay. The programs that are discussed in this
23 report, are you familiar with the general nature of those
24 programs?

25 A. Not -- not individual programs in detail. The

1 general nature, yes.

2 Q. And in regard to their general nature, do you
3 have -- did you form some sort of an opinion about whether or
4 not these programs that are highlighted here in Appendix B,
5 whether or not those programs were worthwhile and beneficial
6 to encouraging energy efficiency and conservation?

7 A. Well, they were considered the -- America's
8 best natural gas programs so I assume that they are.

9 Q. Did you find -- did you believe that to be
10 true based upon the information that you reviewed?

11 A. Yes.

12 Q. Okay. And are these programs described in
13 detail or in sufficient detail to understand generally how
14 they work in the document when it's -- when the full document
15 is read?

16 A. Yes. I believe that most of them -- most of
17 them are.

18 Q. Okay.

19 A. If not, I'd be glad to research further any of
20 the programs.

21 Q. Do you know enough where you could
22 individually describe, without going back to the original
23 document, any of these programs?

24 A. Probably not.

25 Q. Okay. Is it your belief that based upon what

1 you testified earlier about in regard to the quality of these
2 programs, that at least some of these programs would have
3 beneficial impact in Missouri?

4 A. Yes.

5 Q. Do you know how these programs generally are
6 funded?

7 A. Some of them are funded through some type
8 of -- the public charge, the systems benefit charge.

9 Q. Okay.

10 A. Some of them are funded by the other
11 ratepayers.

12 Q. Yes.

13 A. Some of them -- some of them the costs are
14 absorbed by the company, I guess. So it would just be all the
15 different sources of funding. Some of them probably have some
16 state funding.

17 Q. Okay. The Energy Star programs that are
18 mentioned -- and it appears if I'm looking at this correctly,
19 that there are several different programs that mention Energy
20 Star. Can you tell me just generally how the energy -- first
21 of all, what is Energy Star?

22 A. Energy Star -- it's my understanding that it's
23 a department of the Department of Energy. And they certify
24 equipment as being Energy Star if it meets a certain
25 efficiency rating.

1 Q. Okay. And then if it achieves that rating,
2 then that designation is marked on the product some way?

3 A. Yes. Yes.

4 Q. Does it also apply to ratings of houses
5 themselves or is it just appliances, or do you know?

6 A. I believe it's just appliances.

7 Q. You're not sure though. Right?

8 A. No, not --

9 Q. Ms. Ross, is there anyone on Staff that is
10 more familiar than you are with these conservation programs
11 that you know of?

12 A. There are members of Staff that are -- that
13 are more familiar with some of the efficiency programs, yes.

14 Q. Okay. Can you name any of them for me?

15 A. Yes. One of them would be Lena Mantle.

16 Q. They would love you to name them.

17 A. I know. I didn't want to, but yeah, Lena
18 Mantle would be a person that's worked with the efficiency
19 programs for a long time.

20 Q. Okay. Anyone else?

21 A. Henry Warren has -- has been working with this
22 type of program.

23 Q. All right. Anyone else?

24 A. No. Not that I can think of offhand.

25 Q. All right. And are either one of them

1 witnesses in this case?

2 A. Henry was a witness on blocking for the -- for
3 the revenue requirement, but not on efficiency, no.

4 Q. Okay. Now, outside of this list that you have
5 given to us, are there additional programs that you're
6 familiar with around the country that you have observed as
7 having some merit?

8 A. Yes. Although it's hard for me to -- to come
9 up with the names right away. I would be glad to do that.
10 It's hard for me --

11 Q. So there are some, but you would have to go
12 back and look through your notes and your records and things
13 to determine what those are. Would that be --

14 A. Yeah.

15 Q. -- the way to capture it?

16 A. There's one that comes to mind and it's a
17 Missouri program that I think is an excellent program.

18 Q. What program that?

19 A. AmerenUE Gas program.

20 Q. Describe it for me.

21 A. They have a program where they offer to
22 residential and then to some extent to small commercial
23 customers -- they offer rebates for the purchase of furnaces,
24 I believe boilers, energy measures like thermostats. And I've
25 been in on some of the evaluations of that program and it

1 seems to be an excellent one.

2 Q. Okay. How is that program funded?

3 A. It was funded as a result of the last rate
4 case.

5 Q. Yes, it was funded out of company dollars;
6 isn't that correct?

7 A. That's my understanding.

8 Q. And do you know or do you recall the amount of
9 funding for that program?

10 A. I want to say a 155,000 a year, but I could
11 find that number for you easily.

12 Q. That would be fine. It's possible that that
13 number has varied from one year to another, isn't it?

14 A. It has. It's in -- in -- on the average it's
15 stayed that amount, the same amount, but the funds have to be
16 shifted a little bit.

17 Q. There may have been some carryover from the
18 first year into the second year --

19 A. Yes.

20 Q. -- perhaps; is that correct?

21 A. Yes. Uh-huh.

22 Q. And anything else that comes to mind?

23 A. No. Not right offhand.

24 Q. Okay. Now, but, again, that's because at this
25 point you don't recall everything, not because they don't

1 exist. Correct? It's not because you think there are no
2 other good programs, it's just that you don't recall any
3 without looking at your notes?

4 A. Yes, yes, that's true.

5 Q. Now, in regard to the Oklahoma study that
6 someone referred to, and I don't know if you did or --

7 A. Yes.

8 Q. -- counsel, but tell me a little about that,
9 if you would.

10 A. Okay. It's called -- it was called a revenue
11 decoupling survey. I have it right here. They sent a survey
12 to each of the -- each of the state regulatory bodies. We
13 filled ours out, it's -- our information is in here. I forget
14 how many -- how many results they had, quite a few.

15 It asks questions like, Does your state have a
16 decoupling statute or Commission rules? Has your state
17 initiated formal proceedings concerning gas and electric
18 industry decoupling, cost recovery mechanisms? Did your State
19 Commission hold any technical conferences and/or workshops to
20 address decoupling of the gas and electric industry? What
21 incentives does your State Commission offer to utilities to
22 promote the efficient use of energy? And finally, What
23 programs to promote the efficient use of energy are used by
24 the gas and electric industry in your state?

25 Q. Okay. And did you say that survey is

1 completed and the results are in that document that you have
2 in front of you?

3 A. Yes. And it's -- it's less than two months
4 old. It's a new one.

5 COMMISSIONER GAW: Okay. Not having a copy of
6 that in front of me it's a little difficult to ask questions
7 about it, Judge. I don't know if that's worthwhile or not at
8 this stage, but if there were a way that I could look at that
9 perhaps in a few minutes without just trying to guess what's
10 on there, I think it would be more efficient.

11 JUDGE DIPPELL: Can I get someone from Staff
12 to make some copies of that?

13 THE WITNESS: You have one. No, I thought
14 that Tom -- don't you have this (indicating)?

15 MR. BERLIN: Judge, can we see what document
16 she has?

17 THE WITNESS: I have it on my computer. I
18 could make more copies.

19 MR. BERLIN: Judge, we could have copies of
20 this made. I think it's what Commissioner Gaw is asking for.

21 COMMISSIONER GAW: That would be great.

22 JUDGE DIPPELL: If you can do that, we'll try
23 to keep moving and if the Commissioner has questions after he
24 sees it, we can always bring Ms. Ross back.

25 COMMISSIONER GAW: Thank you, Judge.

1 BY COMMISSIONER GAW:

2 Q. Ms. Ross, do you know whether we have in this
3 state any programs, either gas or electric, that implement any
4 kind of automated thermostat controls?

5 A. I believe that Kansas City Power & Light might
6 have a program like that. I -- I'm not real familiar with
7 their case, but I think I've heard that.

8 Q. Do you know whether or not there are programs
9 dealing with thermostat controls that are used for gas
10 purposes? Are you familiar with that?

11 A. No, I'm -- I'm not. I -- I have done quite a
12 bit of reading on prepaid meters. And I know that with the
13 prepaid meters there are -- there's the problem with them, of
14 course, running out --

15 Q. Yes.

16 A. -- and it being natural gas. I'm not sure
17 whether there would be the same type of problem. If it was
18 controlled by an outside source, I suppose not.

19 Q. You just don't know the answer to that
20 question. Right?

21 A. So I don't know the answer.

22 Q. Okay. And do you have your -- hold on just a
23 second, please. I'm sorry. I'm hoping Commissioner Clayton's
24 going to have a chance to ask some of these questions in a
25 moment, but let me just ask generally.

1 If you would, going to these exhibits that you
2 have on the different companies in the state, first, let's go
3 to 138 if you have that. I think it's 138.

4 A. Is that the tariff provisions?

5 Q. Yes.

6 A. I don't have those exhibits.

7 COMMISSIONER GAW: If counsel could provide a
8 copy for you.

9 MR. BERLIN: I think that's all of them there.

10 THE WITNESS: Thank you.

11 BY COMMISSIONER GAW:

12 Q. Do you have them now?

13 A. I have them now.

14 Q. I was just waiting for you. Let me ask you,
15 the first question is, as far as all of these exhibits are
16 concerned dealing with these tariffs that were provided as 138
17 all the way through in subparts, do any of the companies that
18 are referred to in here have currently a fixed surcharge that
19 encompasses all of the LDC revenues?

20 A. No.

21 Q. So at the present time no one has this rate
22 structure that you're proposing in the state for Atmos.
23 Correct?

24 A. That's correct.

25 Q. Now, in regard to the conservation programs

1 that are in these provisions on part -- this should be -- I
2 think it's part 1 of Exhibit 138, the Empire -- let's just
3 talk about it from the standpoint of it being Empire's
4 programs. Can you tell me whether or not those -- first of
5 all, what are the programs there, just generally speaking,
6 very generally --

7 A. Okay.

8 Q. -- that refer to conservation or efficiency?

9 A. Okay. Let me make sure they're the same ones
10 that I have on my list. Well, I have --

11 Q. I'm sorry. Go ahead.

12 A. That's okay. I have a document that I made up
13 a couple of years ago for the task force again. And actually
14 I have programs on my document that I don't believe are on
15 this -- on this exhibit.

16 For example, this would have been Aquila Gas.
17 According to this, they had a -- and I assume still do, a
18 residential customer purchase plan where they loaned up to
19 10,000 at prime plus 2 for purchases of NAECA minimum
20 efficiency rated natural gas heating, cooling or appliances.

21 Q. Okay. Who funded that, by the way? How was
22 that funded?

23 A. I wasn't involved with it. I don't know.

24 Q. Okay. If you know though, I'd like to know.

25 Go ahead.

1 right at it. It's Ameren.

2 BY COMMISSIONER GAW:

3 Q. Now, what is in this one? Does this
4 reflect -- does this reflect the programs that you've
5 discussed earlier?

6 A. Some of them. I think that there might be
7 more. Let me look at my list.

8 Okay. I misspoke on the energy efficient
9 natural gas equipment rebate program. It was funded at 55,000
10 per year.

11 Q. 55,000?

12 A. Uh-huh.

13 Q. Okay.

14 A. They also have -- according to my notes, they
15 have 150,000 in weatherization -- low-income weatherization
16 with another 68,000 directed at Scott Stoddard as part of an
17 experimental program.

18 Under commercial industrial efficiency
19 programs they have the energy efficient natural gas equipment
20 rebate program. That's part of the 55,000 that I talked about
21 before. Let's see if there's any more on the tariffs.

22 Q. And if you would, Ms. Ross, I know I will
23 forget to ask you this question. If any of these programs
24 that we're discussing are proposed in the current case, would
25 you make note of that on your --

1 A. Yes.

2 Q. -- when you're going through this?

3 A. Yes.

4 Q. So far have there been any of these programs
5 that are proposed in the current case?

6 A. No. Not -- not in the natural gas side.

7 Q. Okay. Anything else on the AmerenUE --

8 A. No. I don't believe so.

9 Q. -- provision?

10 There are references to Energy Star in the
11 tariff. Correct?

12 A. Yes.

13 Q. Energy Star rated programmable auto setback
14 thermostats; is that correct?

15 A. Yes.

16 Q. And also regarding the -- probably the program
17 you were talking about, the residential Energy Star rated
18 natural gas furnace rebate?

19 A. Yes.

20 Q. And a commercial Energy Star rated natural gas
21 utilization equipment; is that correct?

22 A. Yes.

23 Q. When it says commercial Energy Star, that's to
24 distinguish it from the residential side and -- I assume?

25 A. Yes. And there -- I'm not sure what the

1 definition of the commercial customer is for this, but it's
2 a -- the smaller general service customers.

3 Q. Okay. All right. Now, let's look at 138,
4 part 3. That's Southern Missouri Gas. Correct?

5 A. Yes.

6 Q. And can you tell me generally what programs
7 are there?

8 A. No, I am not familiar with the Southern
9 Missouri Gas program.

10 Q. Okay. Just looking at the document, there's a
11 reference to a program for the use of energy efficient natural
12 gas water heaters and Energy Star qualified natural gas
13 furnaces. Do you see that?

14 A. Yes.

15 Q. Do you know generally what that would refer
16 to?

17 A. It sounds as though it would be similar to the
18 AmerenUE program.

19 Q. Just not familiar with the details. Correct?

20 A. Exactly, yeah.

21 Q. Okay. Well, the document has some information
22 in it so we can look at that.

23 And then in regard to part four, that's
24 Laclede Gas Company's --

25 A. Yes.

1 Q. -- tariff or a portion of it?

2 A. Yes.

3 Q. Are you familiar with the program in this
4 tariff?

5 A. I am. I am.

6 Q. Tell me what they have in the Laclede tariff.

7 A. Okay. I believe in the last Laclede case
8 their weatherization -- low-income weatherization funding went
9 up to \$500,000. In addition, let me see -- they have -- I'm
10 going to have to look because they have some existing programs
11 and then we -- we came up with some new ones as well in the
12 last case.

13 Okay. They have a residential rebate program
14 for appliances and HVAC equipment for the residential
15 customers. Again, they have another one for the commercial
16 rebates. Those sound similar to the Ameren program. They
17 have rental property rebates where they've set aside a certain
18 amount for gas utilization equipment rebates for rental
19 properties of eight units or less. And this -- this is a neat
20 program because it rebates 50 percent of the cost of such
21 equipment up to a maximum of 750 per unit up to 200 rental
22 properties. So that's --

23 Q. You like this program?

24 A. I do. I do.

25 Q. Is this program included in the recommendation

1 for the current case?

2 A. No.

3 Q. And, again, you remember to mention that, if

4 you would --

5 A. Oh, I'm sorry.

6 Q. -- if we discuss any of these programs that

7 are recommended in this case.

8 A. I will.

9 Q. Thank you. Anything else here?

10 A. Yes, I don't see -- hang on. Let me see what

11 I've got on my list. Now on my list, but I don't see it --

12 see it on this list, we've got 50,000 -- an insulation

13 financing loan program up to -- then this is a program they've

14 had for a long time, I think, where they loan up to \$3,000 for

15 qualified residential customers at a 3 percent interest rate.

16 Q. All right.

17 A. It's collected through their bill. They --

18 Q. Has some similarity -- I don't mean to

19 interrupt you.

20 A. That's okay.

21 Q. It has some similarity to a PAYS-type program?

22 A. Yes.

23 Q. Okay. Keep -- I'm sorry. Keep going.

24 A. That's okay. Then they have a 1,000 -- and

25 this was proposed but -- I believe this one went through --

1 let's see. Energy 100,000 -- these are for energy-wise loans.
2 These are loans of up 10,000 at 3 percent. Once again,
3 they're collected through the bill.

4 And this -- this was the program I thought I
5 was talking about a second ago because I -- believe it's this
6 program that they agreed to not exactly lower their credit
7 standards, but take on more low-income customers. I believe
8 it was people that owned up to eight units in a building.

9 Q. Okay.

10 A. So --

11 Q. So with the idea that perhaps there would be
12 more individuals or -- eligible to get more eff-- or
13 conservation or efficiency matters implemented in additional
14 buildings, or do you know?

15 A. I proposed this one and I --

16 Q. Okay.

17 A. -- my thinking was that low-income people
18 probably have trouble getting credit. And these programs
19 are -- or these type of investments sometimes take a big up
20 front cost. I bought a furnace through the Ameren program
21 actually a couple of years ago, but you still have to come up
22 with -- you may get a rebate, you still have to come up with
23 the rest of the money.

24 Q. Yes.

25 A. They might have trouble borrowing the money.

1 They might have trouble with any inspections that have to be
2 done ahead of time to qualify them for this type of program.
3 So in the program that we ended up with, there's some
4 subsidization of those up front costs that hopefully would
5 remove some of the barriers.

6 Q. Do you know whether that has been working as
7 you envisioned it?

8 A. We haven't gotten a report from Laclede yet.

9 Q. But you anticipate having some sort of report
10 feedback so that that can be evaluated?

11 A. Yes.

12 Q. Anything else on Laclede --

13 A. That's all.

14 Q. -- that relates to efficiency or conservation?

15 A. That's all -- yeah, that's all I have on my
16 list.

17 Q. Okay. And then, finally, Missouri Gas Energy,
18 that's part 5 of 138.

19 A. Right. Okay. MGE has 500,000 in low-income
20 weatherization going system-wide. At the current time -- at
21 the current time, I don't believe they have any efficiency
22 programs. At least there's none on my list and I don't see
23 any on this tariff.

24 Q. I'm not sure what this is referring to, but
25 under terms and conditions is it -- when you say they don't

1 have any, you mean they don't have any other than this
2 residential weatherization program?

3 A. There was -- it was entitled weatherization
4 program. Let me see exactly -- yes. I don't -- I'm not sure
5 that there aren't any, but I'm not aware of other efficiency
6 programs offered by MGE.

7 Q. But this one does exist, to your knowledge,
8 this weatherization program?

9 A. Oh, yes. Yes. It's been going on a long
10 time, in fact.

11 Q. Okay. All right. Now, earlier we were
12 talking about this NARUC resolution in your Schedule -- what's
13 that, Schedule 3-2. I'm wondering if you can turn to that for
14 a moment for me.

15 A. I'm there.

16 Q. Okay. First of all, you've already noted this
17 concern I think in the last Whereas provision, haven't you?
18 The one that says, Current forms of rate design may tend to
19 create a misalignment between interests of natural gas
20 utilities and this customers?

21 A. Yes.

22 Q. I wondered if you could read the two Whereas
23 clauses? Hold on.

24 A. I'm not sure --

25 Q. Just above it.

1 A. Okay. Let me find it.

2 Q. It starts out with, Whereas, energy
3 conservation --

4 A. Whereas, energy conservation and energy
5 efficiency are, in the short term, the actions most likely to
6 reduce upward pressure on natural gas prices and to assist in
7 bringing energy prices down to the benefit of all natural gas
8 consumers; and whereas, innovative rate designs, including
9 energy efficient tariffs and decoupling tariffs such as those
10 employed by Northwest Natural Gas, Baltimore Gas and Electric
11 and Washington Gas in Maryland, Southwest Gas in California
12 and Piedmont Natural Gas in South Carolina. Fixed variable
13 rates --

14 Q. Excuse me. Is that South Carolina or North
15 Carolina?

16 A. Oh, North Carolina.

17 Q. I'm sorry. Go ahead.

18 A. That's okay. Fixed variable rates,
19 parenthesis, such as those -- that employed by Northern States
20 Power in North Dakota and Atlanta Gas Light in Georgia, end
21 parenthesis, other options, parenthesis, such as that approved
22 in Oklahoma for Oklahoma Natural Gas, end parenthesis, and
23 other innovative proposals and programs may assist, especially
24 in the short run, in promoting energy efficiency and energy
25 conservation and slowing the rate of demand growth of natural

1 gas.

2 Q. Okay. Now, my first question is, are you
3 familiar with any of these particular provisions that are
4 cited in that whereas provision?

5 A. Yes. I'm familiar with the Atlanta Gas Light
6 program.

7 Q. Okay. What is that?

8 A. It's a program that has I think two different
9 components to the bill. There's a customer charge that does
10 not vary among residential customers.

11 Q. Yes.

12 A. And then there's a charge -- and it's very
13 complicated because they have natural gas marketers and --
14 and -- but there's more of a demand-related charge that's --
15 that's determined from past information about the household.
16 And somehow it's -- it's allocated among the months. And I'm
17 a little fuzzy because it's a very complicated program. I've
18 read the tariff.

19 Q. Is there an intent there to help encourage
20 efficiency or conservation with this program?

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

22 Q. Okay. You would note though, wouldn't you,
23 just to look back, it does say that these innovative rate
24 designs, including energy efficient tariffs. Correct?

25 A. Yes.

1 Q. All right. Now, in regard to -- are there any
2 others there that are listed that you're familiar with other
3 than Atlanta Gas Light?

4 A. Well, is the Northern -- if the Northern
5 States Power is -- is Excel Energy, then I'm familiar with
6 that, but I'm not sure if those are the same --

7 Q. Okay.

8 A. -- company.

9 Q. And I don't know the answer to that so -- in
10 regard to this -- to both of these paragraphs, would you agree
11 that there is a very significant statement proposed here in
12 regard to the importance of energy efficiency --

13 A. Yes.

14 Q. -- and conservation?

15 A. Yes.

16 Q. Now, if you would then, we've already talked
17 about that next paragraph. Would you read the resolve
18 paragraph, the first one, please?

19 A. Yes. Resolved that the Natural Association --
20 in the National Association of Regulatory Utility
21 Commissioners, NARUC, convene in its November 2005 annual
22 convention in Indian Wells, California, encourages State
23 Commissions and other policymakers to review the rate designs
24 they -- they have previously approved to determine whether
25 they should be reconsidered in order to implement innovative

1 rate designs that will encourage energy conservation and
2 energy efficiency that will assist in moderating natural gas
3 demand and reducing upward pressure on natural gas prices.

4 Q. All right. Now, would you agree with me that
5 the stated purpose then for this resolution is to encourage
6 energy efficiency and energy conservation?

7 A. Would you repeat that?

8 Q. Would you agree with me that the stated
9 purpose for this resolution in the resolution clause that you
10 just read is to encourage energy conservation and energy
11 efficiency?

12 A. Well --

13 Q. Should we go back and read it again? Let's
14 start again and beginning with, In order to.

15 A. In order to implement -- in order to implement
16 innovative rate designs -- is that -- am I where you --

17 Q. Yes.

18 A. That will encourage energy conservation and
19 energy efficiency that will assist --

20 Q. If you would, stop for a moment.

21 A. Okay.

22 Q. Now, would you agree with me that the stated
23 purpose of this resolution is to encourage energy
24 efficiency -- excuse me, energy conservation and energy
25 efficiency?

1 A. Yes.

2 Q. Okay. And then, further, that the reason or
3 the rationale for doing that is it will assist in moderating
4 natural gas demand and reducing upward pressure on natural gas
5 prices?

6 A. Yes.

7 Q. Okay. And when we get that additional
8 information back on the two reports --

9 A. Yes.

10 Q. -- we talked about, I'll come back, but I'll
11 step for now. Thank you.

12 MR. BERLIN: Judge, I do have the copies of
13 revenue decoupling survey responses from other State
14 Commissions I think that Commissioner Gaw was asking about.

15 JUDGE DIPPELL: Okay.

16 MR. BERLIN: I also would like to note that we
17 have an additional tariff section for Empire, formerly Aquila,
18 on residential customer purchase plan and commercial
19 industrial purchase plan. This section -- these two tariffs
20 were just brought to me. So if it please the Commission, they
21 can augment the Empire tariffs with this.

22 JUDGE DIPPELL: I will add that to our
23 previously marked Exhibit No. 138, that additional tariff.
24 And I'll mark the Oklahoma Commission report as Exhibit
25 No. 140.

1 COMMISSIONER CLAYTON: Did you all do that
2 survey over lunch?

3 JUDGE DIPPELL: This is an Oklahoma Commission
4 survey.

5 COMMISSIONER CLAYTON: Oh, the big survey's a
6 compilation of all states from Oklahoma.

7 JUDGE DIPPELL: Yes.

8 MR. BERLIN: This is the Empire tariffs
9 regarding residential and commercial purchase plans.

10 (Exhibit No. 140 was marked for
11 identification.)

12 JUDGE DIPPELL: Yes, Commissioner Clayton. Do
13 you want to ask some questions?

14 COMMISSIONER CLAYTON: Only if Commissioner
15 Gaw needs to catch his breath, I guess.

16 FURTHER QUESTIONS BY COMMISSIONER CLAYTON:

17 Q. Ms. Ross, how you doing?

18 A. I'm fine. How are you?

19 Q. When I heard that you had a survey -- because
20 I missed the beginning when you started back up -- I thought
21 you went out and did this survey over the lunch hour and I was
22 going to be very impressed that you all compiled this. I'm
23 still glad we have it.

24 I wanted to start off with Exhibit 138, part 6
25 of 6 now as it's revised. I believe that is -- this is

1 Aquila. It looks like Aquila Networks. But this looks
2 like -- isn't this the one that was adopted by Empire? Is
3 there any difference between this one --

4 MR. BERLIN: The Aquila tariffs were adopted
5 by Empire, Commissioner Clayton.

6 COMMISSIONER CLAYTON: So part 6 of 6, this is
7 just identical to --

8 MR. BERLIN: That would -- I believe item
9 No. 1 is the Empire tariffs or the adoption of this. And
10 so --

11 COMMISSIONER CLAYTON: It's not identical, I
12 don't think. So they'd both be adopted by Empire unless this
13 one relates to electricity also. I guess, Mr. Berlin, why
14 don't you describe what you just gave us so I know what we're
15 talking about.

16 MR. BERLIN: I handed to you -- let me start
17 with the Empire District Company. There is an adoption notice
18 on the cover page.

19 COMMISSIONER CLAYTON: And that is part 1 of 5
20 as it's listed -- it's actually part 1 of 6, Exhibit 138.
21 Correct?

22 MR. BERLIN: Correct. And that included the
23 experimental low-income program.

24 COMMISSIONER CLAYTON: Yeah.

25 MR. BERLIN: And what I just handed out was

1 another tariff section from Empire 9.06 titled Residential
2 Customer Purchase Plan and 9.07 Commercial and Industrial
3 Customer Purchase Plan, sheet No. R-49 and R-50.

4 COMMISSIONER CLAYTON: Okay. So just to be
5 clear, these sheets have been adopted by Empire as well?

6 MR. BERLIN: Yes.

7 BY COMMISSIONER CLAYTON:

8 Q. Okay. Ms. Ross do you have part 6 of 6,
9 Exhibit 138, Section 9.06?

10 A. Yes.

11 Q. Could you just describe these two plans, 9.06
12 and 9.07, to me?

13 A. Okay. 9.06, they will -- they will loan money
14 at prime plus 2 -- I'm trying to see. They'll loan up to
15 \$10,000. It looks like they can loan more than \$10,000 at the
16 company's discretion. The financing's made directly to
17 customers and it's for energy efficient equipment. I'm not
18 sure what NAECA stands for. I've heard of it, but I couldn't
19 name that right now, but it's an efficiency rating
20 organization, I would suspect.

21 Q. So 9.06 is a plan for residential customers to
22 finance certain energy efficient appliances and equipment?

23 A. Yes.

24 Q. And 9.07?

25 A. Well, it looks like 9.07 is basically the same

1 thing except that the company does not loan the money to the
2 commercial or industrial --

3 Q. But it's for a commercial, industrial
4 customer?

5 A. Yes.

6 Q. And it promotes energy efficient appliance --

7 A. Yes.

8 Q. -- purchases --

9 A. Yes.

10 Q. -- and usage?

11 A. Through the offering of a low interest rate, I
12 believe.

13 Q. Okay. Is this the first time that you've
14 looked at either of these?

15 A. I looked at 9.06 a couple of years ago when we
16 did the last Aquila case.

17 Q. Do you know the age of -- well, actually it
18 should be fairly apparent here. Can I look at the bottom of
19 these tariff sheets and identify the age of the programs? Is
20 that an accurate way of determining the age of each of the
21 programs?

22 For example, part 1 of 6 on Exhibit 138, which
23 is the first ELIP program, it says, Effective date,
24 October 17, 2004. Can I assume that this program has been in
25 existence since October 17, 2004?

1 A. No. I don't think so.

2 Q. Well, then I was going to ask that for each of
3 them. Do you know the age of each of the programs THAT we've
4 discussed here today?

5 A. I know the age of some of them, not each of
6 them.

7 Q. Okay. Well, I guess starting with -- starting
8 with part 1 of 6 on the old Aquila Gas ELIP program and the
9 residential and industrial customer purchase plans for
10 efficiency equipment, do you know the ages of these programs?
11 That would be part 1 and part 6 of 6.

12 A. Right. On the ELIP program, it's two or three
13 years.

14 Q. Two or three years old?

15 A. Yes.

16 Q. Okay.

17 A. That came about in the last Aquila case rate
18 case.

19 Q. Okay.

20 A. As far as the second one, no, I don't know.

21 Q. So this is pretty close to -- October 17, 2004
22 date's probably pretty close --

23 A. Yeah.

24 Q. -- to --

25 A. It may -- that may be when that was adopted.

1 Q. Okay.

2 A. It seems like longer ago than that.

3 Q. I know time passes.

4 A. Maybe not.

5 MR. BERLIN: Commissioner Clayton, perhaps I
6 can clarify that for you.

7 COMMISSIONER CLAYTON: Yes.

8 MR. BERLIN: Up in the upper right-hand corner
9 you'll notice that it says Original Sheet No. 69 under -- I
10 believe it's the ELIP program.

11 COMMISSIONER CLAYTON: 67.

12 MR. BERLIN: 67, 68 and 70. And since it's
13 the original tariff sheet, it was effective -- down in the
14 bottom right-hand corner you'll notice the date October 17th,
15 2004.

16 COMMISSIONER CLAYTON: Okay. Good. So that's
17 1 of 6. Can we say the same thing for part 6 of 6, the Aquila
18 residential and industrial customer purchase plan programs,
19 May 28, 2004?

20 MR. BERLIN: Correct.

21 COMMISSIONER CLAYTON: R-49?

22 MR. BERLIN: That's correct, Commissioner
23 Clayton.

24 COMMISSIONER CLAYTON: Part 2 is AmerenUE.
25 This has a date effective of -- it says Original Sheet 75,

1 February 18, 1998.

2 THE WITNESS: Then --

3 COMMISSIONER CLAYTON: I don't care who I'm
4 asking here. It looks like they are first revised too so
5 there are some changes, but the original sheet on the
6 experimental weatherization program appears to be February 18,
7 1998.

8 MR. BERLIN: That's correct, Commissioner
9 Clayton.

10 COMMISSIONER CLAYTON: Equipment rebate
11 program is fourth revised so this one doesn't look right. Do
12 you all know the date of that, the age of that? Can we safely
13 say 1998 also?

14 MR. BERLIN: We don't know that date,
15 Commissioner Clayton. We'd have to go back and research it.

16 BY COMMISSIONER CLAYTON:

17 Q. Okay. Do you know, Ms. Ross?

18 A. No, I don't.

19 Q. Okay. I assume the same would be the case for
20 Southern Missouri, that's in a revised sheet. Revised sheet
21 from Laclede goes back at least to 2002, it looks like.

22 A. Some of the Laclede programs I think were
23 new -- at least one of them in the last rate case.

24 Q. In the last case. Okay. Well, that's
25 helpful. I don't need the exact dates. What I was trying to

1 get a handle on is the amount of age that each of the programs
2 have so that we can determine their effectiveness or discuss
3 their effectiveness.

4 Before I do that, on the Aquila sheets that
5 have been adopted by Empire, part 6 of 6, are you recommending
6 the provisions of that part -- that Exhibit 138, part 6 of 6,
7 as part of your testimony in this case regarding Amos?

8 A. Okay.

9 Q. Are you recommending adoption of those
10 proposals?

11 A. Let me find -- so this is the Aquila part 6 of
12 6, which -- that --

13 Q. That would be the document that Mr. Berlin
14 gave me.

15 A. I know. Mine aren't marked though is my
16 problem.

17 Q. I had it marked as part 6 of 6. It was the
18 residential and industrial commercial purchase programs that
19 we talked about. Are you recommending any type of purchased
20 program for energy efficient appliances in this case?

21 A. No, not in this case.

22 Q. No. So you're not recommending these
23 provisions either --

24 A. No.

25 Q. -- associated with Aquila?

1 Okay. Are you aware of -- since we've gone
2 through the existence of each of these programs, are you aware
3 of any evaluation that has been done on any of the programs to
4 determine their effectiveness?

5 A. Yes. On the weatherization programs, MGE has
6 had at least one evaluation done. I believe there's been an
7 evaluation on the Ameren gas weatherization program.

8 Q. Just on weatherization?

9 A. Yes. Oh, we go through -- there hasn't been a
10 formal evaluation done on the Ameren Gas equipment rebate
11 programs, but, again, we meet every year and talk about those.

12 Q. So it's not a formal assessment, but you all
13 kind of --

14 A. It's not by an outside party, but --

15 Q. You all just talk about it and --

16 A. Yes. Yes.

17 Q. Okay. What was the result of the MGE and
18 Ameren Gas weatherization assessments?

19 A. I know the -- I believe that both of them got
20 a good assessment. I've got -- I've got those documents
21 upstairs, but I believe that they found that it was
22 successful.

23 Q. Okay. Anywhere within Exhibit 138 are there
24 any programs aside from energy efficiency that promote
25 conservation?

1 A. Not that I know of.

2 Q. Okay. Are you aware of programs anywhere in
3 the country that would relate to conservation aside from
4 energy efficiency? Are there separate programs designed just
5 to promote conservation of energy?

6 A. Yes,

7 Q. There are?

8 A. Although I could -- I do -- I could research
9 it and find them, but, yes, there are programs that -- I
10 believe there might be some in California that are tied to
11 conservation. I'm not sure if perhaps you get a lower rate.
12 I believe there's one where if you save 10 percent over your
13 usage last year -- it's complicated, but there are other
14 programs that relate specifically to conservation.

15 Q. Okay. So they can be identified as two
16 separate issues, conservation, energy efficiency?

17 A. Yes.

18 Q. Okay. Has anyone on Staff done significant
19 studies on energy efficiency or conservation in general, not
20 necessarily for this case, but worked on these issues in an
21 effort to develop a policy?

22 A. I'm not sure how to answer that.

23 Q. In English would be --

24 A. There are a couple of Staff members that have
25 worked on these issues in -- in -- for a long time and have

1 looked at -- into them in great detail.

2 Q. The programs that are in place associated with
3 other LDCs, were those programs put into place because of
4 Commission Staff research and development or were they put
5 into place because of utility work or utility design, do you
6 know?

7 A. I would say both. In some -- some of the
8 programs came from Staff proposals. Other programs I believe
9 were proposed by the company.

10 Q. How about the company purchase plans and
11 rebates? Who developed those programs, do you know? If you
12 don't know, that's --

13 A. Yeah, I'm not sure.

14 Q. Okay. Did you have an opportunity to review
15 any of the other states that I mentioned on the way in? I
16 know that was a very short amount of time. We talked about --

17 A. I didn't have a chance to read over it, no.

18 Q. Didn't have a chance to do that. Have you
19 ever studied California's energy efficiency planning and laws
20 that they've put into place?

21 A. Yes. A little.

22 Q. You have.

23 A. I've looked over -- I've read a few things
24 about --

25 Q. Well enough to talk about them or --

1 A. Not really.

2 Q. Is there anything that you've seen in
3 California that you thought would be applicable to Missouri
4 with regard to energy efficiency or conservation?

5 A. I'm sorry. I've looked at so many of these
6 programs. I could answer that tomorrow.

7 Q. That's okay. I know you've looked at a lot of
8 these programs.

9 A. Uh-huh.

10 Q. Is there any one that jumps out that suggests
11 that Missouri should be taking a hard look at it in promoting
12 some of the provisions within those programs? I know you've
13 looked at them, but is there anything that jumps out?

14 A. No. Not -- not -- that I could think of.

15 Q. Are you familiar with the Midwest Natural Gas
16 Initiative?

17 A. I expect I've read it. I'm not --

18 Q. But nothing jumps out --

19 A. -- familiar with it.

20 Q. -- that would be applicable for --

21 A. No.

22 Q. Do you think Missouri does enough with regard
23 to promotion of the -- well, first of all, do you believe the
24 Energy Star program is a worthy program that should be
25 promoted in this state?

1 A. The Energy Star program --

2 Q. The Energy Star rated appliances for energy
3 efficiency. The Energy Star -- do you know what Energy Star
4 is?

5 A. I do.

6 Q. The seal of approval that's on the appliances
7 says energy efficient appliances.

8 A. Right. That they meet a certain minimum level
9 of efficiency. Yes, I was -- I'm not sure if you were here
10 when I was saying earlier that Ameren has a good en-- a good
11 program that incorporates Energy Star equipment, a rebate
12 program.

13 Q. You think Energy Star -- the Energy Star
14 program, the certification, is something that ought to be
15 promoted in the state of Missouri --

16 A. Yes.

17 Q. -- regardless of LDC?

18 A. Yes.

19 Q. Okay. And you think Ameren Gas's -- or
20 AmerenUE's rebate program, appliance program is something
21 that's worthy of consideration in other jurisdictions or in
22 other --

23 A. Yes.

24 Q. -- LDC territories?

25 A. I do.

1 Q. Is that something that we should consider in
2 this case, in your opinion?

3 A. I suppose, yes. The reason we started smaller
4 in -- in -- with the Atmos case is that they don't really have
5 anything going on right now. So rather than come in -- we
6 wanted to talk to the company, see what they were capable of,
7 see what their -- their customers -- they felt that their
8 customers needed.

9 Q. What do you think --

10 A. I suppose --

11 Q. -- Atmos's customers need?

12 A. They definitely needed the low-income
13 weatherization that Atmos has -- has agreed to, because they
14 haven't had any funds going to low-income weatherization in
15 the past and there are a lot of low-income customers.

16 Q. More than 30?

17 A. More than 30.

18 Q. How many do you think?

19 A. Actually, I think I have -- there's a number
20 that we have somewhere for LIEAP and I think about
21 20 percent -- if you took LIEAP and multiplied it by 5.

22 Q. 20 percent of 50,000 then?

23 A. No, no, no. I think that whatever the number
24 is -- hang on. Is this it? No. Whatever the number is for
25 LIEAP -- traditionally I think LIEAP -- about 20 percent of

1 low-income --

2 Q. 20 percent of the LIEAP applications or --

3 A. 20 percent of the eligible population applies
4 for LIEAP.

5 Q. Okay.

6 A. So you could take that number and multiply it
7 by something to get to --

8 Q. So 20 percent of the LIEAP population you
9 identified need. Were there any other consumer or customer
10 needs that you identify in your evaluation?

11 A. Yes. Yes. I think that all customer groups,
12 not just low-income -- I think that -- that many residential
13 customers need help with conservation information. They need
14 education, they need to know what you can do, how much it
15 costs.

16 For example, I was surprised to find that a
17 programmable thermostat only costed about 20 bucks. You know,
18 I would have assumed that cost a lot more than that. And as a
19 result of education actually that I received here at the
20 Commission, I -- I found that out and I'll never be without
21 one. I think --

22 Q. And in response to that, there are those
23 audits that you have in there --

24 A. Yes.

25 Q. -- the customer audits?

1 A. Yes. I think it would help the customers
2 think of things they could do. I mean, you can only turn your
3 thermostat down so far. So perhaps it would give them some
4 ideas, some technical knowledge. The utility I think is a
5 good source of specific technical knowledge that they could
6 give to the customers, share with the customers.

7 Q. Okay. You mentioned that we should start
8 small because there isn't much going on with regard to
9 conservation, energy efficiency.

10 A. And they're a small company --

11 Q. They're a small company. I understand that.

12 A. -- in Missouri.

13 Q. But we should start small. Why is that? What
14 limitations? Is it a matter of money? Is it a matter of
15 resources?

16 A. No. And maybe my choice of the word "small"
17 was not good. I felt like it might be difficult for a company
18 that hadn't been doing this kind of thing in Missouri to jump
19 in to some of the programs maybe that the other utilities
20 have. Because they have the -- the billing system, the
21 computer system set up for it, they -- you know, they just
22 have things in place that Atmos probably doesn't yet.

23 Q. Do they have programs in any other states --
24 energy efficiency program in other states?

25 A. I believe so. I believe so.

1 Q. Are there programs that could be adopted here
2 with some flexibility?

3 A. I -- you'd -- you'd have to ask an Atmos
4 witness that. I'm not sure.

5 Q. So it's something we ought to look into or
6 perhaps Staff could look into or --

7 A. Sure.

8 Q. Okay. Is there anything else around the
9 country that you'd want to identify as being a bright spot or
10 something that we should consider as a shining example of
11 energy efficiency and conservation?

12 A. Not really specific programs. I think that
13 there are specific program factors that are -- that are very
14 important, and one of those being education. And, again and
15 again I've read that consumer education probably gives you
16 about the most bang for the buck as far as conservation and
17 efficiency goes. So I definitely think that not only Atmos,
18 but Missouri could use a lot more education of just its entire
19 customer base.

20 Q. What do you think the Commission's role is in
21 that educational process?

22 A. Well, I think that we -- we can help encourage
23 the companies. I think that it -- my opinion now, that it
24 would be useful to have a statewide-type of program rather
25 than a utility by utility program, something that's

1 consistent.

2 I think that if the Commissioners, for
3 instance, were to do public service ads, that type of thing, I
4 think that would mean a lot and would get people's attention.
5 So I can see really lots of goals. I think we could all work
6 together to further conservation in Missouri.

7 Q. Is there anything unique to Missouri that
8 would delay that discussion or further pursuit of that
9 education?

10 A. Not that I know of.

11 Q. I'm looking through this survey and there
12 aren't that many states that have decoupled.

13 A. Which one?

14 Q. From the Oklahoma Commission. I'm not sure
15 how they defined revenue decoupling. I'm not sure decoupling
16 is the same meaning that you go to fixed charges, but if
17 Missouri -- if we would adopt -- if we would adopt this
18 decoupling mechanism where we go to a fixed delivery charge,
19 is it accurate to say that we'd be one of four -- one of five
20 states in the country that have done this?

21 A. I'm not sure that we'd be one of five states.

22 Q. You're right. Maybe it's one of four. Does
23 that help?

24 A. Somewhere down there. I think it would be
25 fair to say that we're -- we would be one of -- one of a

1 handful of states that are doing it this way. I think that --
2 that the various revenue decoupling mechanisms are all trying
3 to get to the same place. Some of them use very complicated
4 rate schemes, some of them adjust usage. Ours is pretty
5 simple and straightforward and that's actually one of the
6 advantages of it.

7 Q. Do the other ones that have decoupled,
8 quote/quote, have programs for energy efficiency or
9 conservation attached to them?

10 A. I'm sure that a lot of them do, yes. I don't
11 know that all of them do, but --

12 Q. Would Missouri be the only state that
13 decoupled without implementing an energy efficiency program,
14 do you know?

15 A. I -- well, if we decoupled without -- without
16 energy efficiency program, yes.

17 Q. We'd be the only state that decoupled --

18 A. Without --

19 Q. -- without having an energy efficiency
20 program?

21 A. Well, I'm not sure I understand, because we --
22 we aren't proposing that we decouple without having energy
23 efficiency programs.

24 Q. Right. That's what I'm saying. We'd be the
25 only state doing it this way?

1 A. Actually, there may be one other.

2 Q. Do you know which one?

3 A. No. But I could get that for you. Because --

4 Q. Well, I got it right here.

5 A. -- I read that just recently.

6 Q. If you have an idea, I could look it up.

7 A. Yeah.

8 Q. No. Ms. Ross, I wanted to -- I'm not going to

9 ask you any more questions. Thank you for doing some extra

10 work over the lunch hour. I would ask if you do have

11 additional information that you think would be worthy of the

12 Commission to consider relating to these issues, I mentioned

13 some of those programs earlier --

14 A. Yes.

15 Q. -- regarding other states or the Midwest Gas

16 Initiative or other energy programs, please try to get that to

17 us. I know that's kind of an open-ended odd request. Thank

18 you?

19 A. Well, I do want to -- may I make one more?

20 Because just flipping through this, this actually isn't the

21 one I was talking about, but in Ohio, for instance, all they

22 have are the low-income weatherization programs. So they --

23 they really don't have efficiency or conservation programs per

24 se. It's on page 15.

25 Tennessee says a few companies have listed

1 conservation tips on their websites. This is on page 17.
2 Utah, the gas utility has not offered any incentives yet. If
3 the decoupling program is adopted, the utility is set to roll
4 out some DSM programs to help customers save energy use. And,
5 again, in West Virginia the three largest gas utilities
6 contribute funds to the DOE low-income weatherization program.
7 Those are things that our -- our companies are doing.

8 JUDGE DIPPELL: Thank you.

9 Commissioner Gaw, did you have additional
10 questions?

11 COMMISSIONER GAW: Yes. Hopefully not very
12 long.

13 FURTHER QUESTIONS BY COMMISSIONER GAW:

14 Q. Ms. Ross, have you seen any programs where the
15 rates that were charged for the customer were discounted in
16 the event that the residential customer or the business
17 customer was qualified under Energy Star or under some sort of
18 a rating for the building on efficiency where they actually
19 received a lower rate?

20 A. No. I think I said I've seen something
21 similar to that in the California -- in the state of
22 California, although I think at that point they -- they might
23 have had to show -- show an actual decreased usage rather than
24 qualifying by having a certain type of equipment.

25 Q. Would that make sense to you? And I know

1 there are arguments that could be made against it, but could
2 you see some sense made as an incentive to grant -- that would
3 be visible and transparent to a consumer if you said to them,
4 If you meet these set of criteria for energy efficiency for
5 your residents, you qualify for a discount on your customer
6 charge?

7 A. On your customer charge?

8 Q. Or any part of it, but it could be the
9 customer charge.

10 A. Yes. I think that there might be the usual
11 problems with rental -- renters, for instance, who don't have
12 a lot of control over that.

13 Q. But I specifically avoided the landlord rental
14 issue in this because it gets very, very complicated very
15 quickly.

16 A. Yes.

17 Q. And it could take us at least a day --

18 A. Yeah.

19 Q. -- to go through the set of issues that are
20 involved in that. And, of course, you're absolutely right,
21 that's a very important area that needs to be worked through
22 if we were -- if we were working on trying to develop an
23 energy efficiency program --

24 A. Yeah.

25 Q. -- and hit that core group of -- where renters

1 are paying the utility rates and the landlord may be
2 benefitting from the weatherization of the house but may or
3 may not care.

4 A. Yeah. And I put something in my direct, you
5 know, saying that that was something we were going to have to
6 look at.

7 Q. But aside from that, if we were dealing with
8 the customer who actually owned their property and we look
9 away for the moment on this question from the landlord/tenant
10 issue, would it not create some transparency in incentives if
11 you offered a discount if the residents met or the business
12 met certain qualifications for efficiency in their residence
13 or their business?

14 A. I guess my answer to that would be yes but.
15 Because you'd still -- I was talking earlier about the problem
16 of up front costs and the problem of making these investments.
17 And I think you'd still -- a lot of people would have
18 trouble making the investments needed to qualify for the lower
19 rate.

20 Q. So you would need some additional program to
21 help with that part of it, wouldn't you?

22 A. To make it a comprehensive program that, you
23 know, lower income, middle income customers could take
24 advantage of, yes.

25 Q. So if you put those two things together, you'd

1 be down the road a-ways toward creating that kind of a
2 comprehensive program, wouldn't you?

3 A. Yes.

4 Q. Let me ask -- and I don't know if you're the
5 witness on this, so -- and I know you're not up here at the
6 moment for this so you tell me if you're not the witness for
7 it. Okay?

8 A. Uh-huh.

9 Q. Did you file any testimony regarding the rate
10 blocks on the gas charges? Are you familiar with the rate
11 blocks for gas usage in this --

12 A. For this company?

13 Q. Yes. For this company.

14 A. I believe that they have one district, and I'd
15 have to look to see which one it is, that has blocked rates.

16 Q. Everyone else it's just one rate?

17 A. Yes. Everyone else is just one rate.

18 Q. On the one district that is blocked, do you
19 recall which one that is? And if you don't, that's okay.

20 A. No. I -- let me see. No, I don't.

21 Q. Do you know whether the blocks are increasing
22 or declining blocks?

23 A. No. Not offhand.

24 Q. Were you the one --

25 A. I believe they're declining.

1 Q. Were you the individual that testified about
2 the issues relating to that?

3 A. I just said that I thought that they -- that
4 the rates should be not normalized, but standardized and that
5 I -- I felt -- I believe they're declining block --

6 Q. That --

7 A. -- rates.

8 Q. -- that would not be unusual --

9 A. No.

10 Q. -- would, it for Missouri?

11 A. It wouldn't.

12 Q. But a declining block actually is counter to
13 encouraging conservation, isn't it?

14 A. Yes.

15 COMMISSIONER GAW: That's all. Thank you.

16 JUDGE DIPPELL: Thank you.

17 Okay. Before we get into the recross, let me
18 ask, Mr. Poston, are you still interested in asking your
19 question about MGE of Ms. Ross?

20 MR. POSTON: If she's had an opportunity to
21 review her testimony. I know she had a busy lunch.

22 THE WITNESS: No. I had a chance to do that.

23 JUDGE DIPPELL: Ms. Ross, can you answer his
24 question?

25 THE WITNESS: Yes. Could you repeat it,

1 please.

2 RECROSS-EXAMINATION BY MR. POSTON:

3 Q. I was just trying to understand the difference
4 between the testimony you filed in MGE and the testimony you
5 filed in this case, where in this case you proposed your
6 delivery charge for the small general service class and I do
7 not believe you proposed that for MGE; is that correct?

8 MR. BERLIN: I want to renew my objection,
9 Judge, on his line of questions with regard to MGE testimony.
10 And I want to renew it stating that, number one, it's not
11 relevant in this proceeding; secondly, whatever was filed in
12 the MGE case, the case is currently being litigated before the
13 Commission, has not been admitted into evidence; and finally,
14 MGE and the parties to that case are not present here today.
15 So I want to renew my objection and get a ruling.

16 JUDGE DIPPELL: I'm going to overrule your
17 objection.

18 You can answer the question, Ms. Ross.

19 THE WITNESS: Yes. No, I didn't propose that
20 in the MGE case. I did -- I said that I thought that it
21 needed to be done, that I felt that their general service
22 class needed to be split and that we should work on getting
23 the information to do that, but we didn't have the information
24 at that time.

25 BY MR. POSOTON:

1 Q. And what information was that that was
2 unavailable?

3 A. I think we would need individual customer
4 information.

5 Q. And you had that in Atmos?

6 A. I had that in Atmos.

7 MR. POSTON: That's all I have.

8 JUDGE DIPPELL: Thank you.

9 Were there any additional Commissioner
10 questions?

11 All right. Let's go ahead and take a
12 10-minute break until a quarter 'til 4:00 and we'll come back
13 for recross-examination.

14 (A recess was taken.)

15 JUDGE DIPPELL: Okay. I think we're up to
16 recross-examination based on questions from the Bench for
17 Ms. Ross.

18 Before we do that though, we had a couple of
19 exhibits that were requested by the Commission, one of which,
20 Exhibit 139, has not been provided in full. So what I will do
21 is when that is provided, I'll give the parties a chance to
22 make any objections at that time and admit that later or deny
23 it depending on the objections.

24 But let me ask, has everyone had an
25 opportunity to look at Exhibit 140, or do you need more time

1 to determine if you would have objections to that? That's the
2 Oklahoma Commission report.

3 MR. FISCHER: We have no objection.

4 MR. POSTON: We have no objection to it.

5 JUDGE DIPPELL: Okay. Then I will admit
6 Exhibit 140.

7 (Exhibit No. 140 was received into evidence.)

8 JUDGE DIPPELL: All right. Is there further
9 cross-examination based on questions from the Bench from
10 Atmos?

11 MR. FISCHER: Yes, your Honor.

12 RE-CROSS-EXAMINATION BY MR. FISCHER:

13 Q. Good afternoon, Ms. Ross.

14 A. Good afternoon.

15 Q. It's been a long afternoon, but I have just a
16 few more questions I'd like to ask you if you would help me.
17 Commissioner Gaw I believe was the principal Commissioner
18 asking a number of questions about why the Staff proposed the
19 delivery charge in this proceeding --

20 A. Yes.

21 Q. -- do you recall those?

22 On page 11 of your surrebuttal at pages -- at
23 lines 8 through 9 you state, I want to point out that this is
24 a wonderful opportunity for this Commission to do a great deal
25 of good for a great number of people; is that correct?

1 A. That is correct.

2 Q. Is that still your testimony today?

3 A. Yes, it is.

4 Q. Is that the reason the Staff is proposing the
5 delivery charge proposal?

6 A. That's part of the reason, yes.

7 Q. Okay. Then on page 12 of your Rebuttal -- or
8 Surrebuttal Testimony you state, We have an opportunity in
9 Missouri to align the interests of shareholders and customers;
10 is that correct?

11 A. Yes.

12 Q. Is that still your testimony?

13 A. Absolutely.

14 Q. Would you explain that concept to the
15 Commission, why you believe we have an excellent opportunity
16 to align the interests of shareholders and customers?

17 A. At the current time and with the current rate
18 designs, the utility's caught in the middle. They -- if they
19 help their customers by helping their customers lower their
20 usage, then they -- they're working directly against the
21 interest of their shareholders. If they work for their
22 shareholders' interest, which would basically mean increasing
23 sales, then they're hurting their customers.

24 I think that that's a significant
25 disincentive. And if we could decouple the utility's revenue

1 stream from the number of sales it makes, then we could -- we
2 could get the utilities to be a partner in -- in conservation
3 and efficiency activities. And personally I believe that the
4 utilities are probably the strongest partner we could have.

5 Q. Okay. Commissioner Gaw also pointed you to
6 the NARUC resolution, which was Schedule 3-2 which is attached
7 to your testimony. And I think he asked you about the whereas
8 clause where it says, Current forms of rate design may tend to
9 create a misalignment between the interest of natural gas
10 utilities and their customers. Do you recall that?

11 A. Yes.

12 Q. Is that the misalignment that you're talking
13 about in your testimony?

14 A. Yes.

15 Q. So you would agree with the NARUC resolution
16 on that point?

17 A. Yes.

18 Q. I believe you testified in answer to
19 Commissioner Gaw that the biggest reason for supporting the
20 delivery charge rate design was that it is fair. Do you
21 recall that?

22 A. Yes.

23 Q. On page 6 of your Surrebuttal Testimony at
24 line 17, you state, The low-usage customers on Atmos's system
25 are most likely customers using the Atmos distribution system

1 to do things like fuel for gas fire logs, cook on a gas stove
2 or use a gas water heater. The customers most likely to use
3 more natural gas than the average are those heating their
4 homes with natural gas; is that right?

5 A. Yes.

6 Q. Ms. Ross, isn't the cost of delivery for a gas
7 customer using just a gas log the same as the cost of delivery
8 for space heating, cooking and water heating?

9 A. Yes. I believe that it is.

10 Q. And under the current rate structure, would
11 you agree the gas log customer is not paying the same margin
12 rate as the full service gas customer, which includes space
13 heating, water heating and miscellaneous gas usages?

14 A. Yes. That was my testimony.

15 Q. Another way to say that is that the gas log
16 customer is being subsidized by the space heating customer?

17 A. Yes.

18 Q. Is it fair for the high-usage customer to
19 subsidize the margin rates for the gas log customer, in your
20 opinion?

21 A. No. In my opinion, it's not.

22 Q. Is it fair for the space heating customer to
23 subsidize the customer that just uses gas for cooking?

24 A. No.

25 Q. Ms. Ross, would you agree that the low-usage

1 customer is not necessarily the low-income customer?

2 A. Yes.

3 Q. So we can't equate low usage with low income?

4 A. No, no. I don't believe that we can.

5 Q. On page 7, lines 6 through 8 of your testimony
6 you state that, The same plant investment must be made for
7 both users and there will not be differences in billing, meter
8 reading and other expenses; is that correct?

9 A. That's correct.

10 Q. There you're making the point that the cost to
11 serve these customers are the same?

12 A. Yes.

13 Q. But Atmos has the same obligation to serve
14 these customers whether it's just a gas log customer or a
15 full-service space heating customer; is that right?

16 A. Yes. It's my understanding that if a customer
17 calls and asks to be hooked up, that Atmos has to hook them
18 up.

19 Q. So my brother-in-law that just has the gas log
20 that he turns on at Christmastime, he gets served just like
21 the customer that has the high-usage space heating
22 requirements?

23 A. Yes.

24 Q. I'd like to ask you to turn to your Direct
25 Testimony at page 9. At the bottom of page 9 and then

1 carrying over to page 10 I believe you answered the question
2 about why the Staff is recommending that Atmos collect all
3 margin costs in a single monthly charge; is that right?

4 A. Yes.

5 Q. Would you explain your first point there of
6 why it removes disincentives for utilities to encourage and
7 assist customers in making conservation and efficiency
8 investments?

9 A. Because utilities no longer lose revenues if
10 they encourage their customers to use less gas. That's
11 basically it.

12 Q. The utility is basically indifferent to the
13 fact if they conserve, use less energy, less gas, it doesn't
14 hurt their earnings and there's no reason not to help with
15 efficiency. Is that what you're saying?

16 A. That's true. It doesn't hurt their
17 shareholders' interests.

18 Q. And it does allow the customers to better
19 control their bills depending -- even if it's a cold weather
20 or a warm winter?

21 A. It will make -- it will make a little bit of
22 difference, only a few dollars.

23 Q. Can you explain why a customer might be better
24 off under the Staff's proposed rate design in a cold winter or
25 a cold day like today?

1 A. Well, in a cold winter, the customer pays a
2 piece of the margin on each unit of gas they use. So in a
3 cold winter, gas usage will go up and they will pay more. In
4 fact, they'll pay more than -- they may more than their cost
5 of service.

6 Q. So in a cold winter, the customer is better
7 off under the Staff's proposed rate design than under the
8 status quo; is that right?

9 A. Oh, yes. Any customer using more than the
10 average for any reason is better off.

11 Q. On the other hand, the company's earnings
12 might be higher in a cold winter, isn't that right --

13 A. Yes.

14 Q. -- under the current rate design?

15 A. Yes.

16 Q. But if we turn that scenario around and we
17 have a warmer than usual winter, what would the effect of the
18 current rate design be on the customer?

19 A. The customer would pay less than the cost
20 required to serve them.

21 Q. And the company, in terms of recovering the
22 cost of service of providing that delivery of service, what
23 would happen in a warmer than usual winter?

24 A. They wouldn't collect all of the -- all of the
25 revenue required.

1 Q. Okay. Let's look at the scenario with your
2 Staff's proposed delivery charge. What happens in a colder
3 than normal winter?

4 A. The customer pays let's say \$20 regardless of
5 usage the -- on the margin. The company collects \$20
6 regardless -- regardless of the customer's usage.

7 Q. And during that colder than normal winter, the
8 customer's going to be paying more in the commodity charges in
9 all likelihood; is that correct?

10 A. Yes. It's likely that their bill will go up
11 as their usage goes up.

12 Q. So if we keep the current status quo in that
13 colder than normal winter, we're going to be burdening the
14 customer with additional margin charges in addition to those
15 commodity charges; is that correct?

16 A. That's correct.

17 MR. POSTON: Your Honor, I object to this
18 line. I'm not sure what Commissioner questions these are
19 following up on.

20 MR. FISCHER: These are following up on the
21 question that Commissioner Gaw asked why the Staff was
22 proposing the delivery charge.

23 JUDGE DIPPELL: I'll allow her to answer the
24 question, but Mr. Fischer, I believe this is in Ms. Ross's
25 testimony and I think the Commission understands it. I'll

1 allow you to ask, but --

2 MR. FISCHER: I'm not sure based on some of
3 the questions, so I just want to make sure it's in the record.

4 BY MR. FISCHER:

5 Q. Let's talk about the conservation programs,
6 the efficiency programs. Is it correct that the Staff had a
7 rate design technical conference where the parties met in June
8 to talk about the Staff's proposed rate design and other items
9 that were relevant to that?

10 A. Yes.

11 Q. Is it your understanding that Atmos has
12 accepted the Staff's proposal on the delivery charge?

13 A. Yes.

14 Q. That was Staff's proposal; is that right?

15 A. Yes.

16 Q. And we discussed it at length during the
17 technical conference on rate design?

18 A. Yes.

19 Q. It's also the Staff's proposal to have the
20 company conduct residential energy audits as a part of this
21 case; is that right?

22 A. Yes.

23 Q. And is it your understanding that the proposal
24 of Staff was that it be \$25 for any residential customer that
25 requested an energy audit and that it --

1 A. Yes.

2 Q. And is it also your understanding that that
3 doesn't cover the cost of those energy audits?

4 A. Yes.

5 Q. And I believe you also proposed that
6 30 low-income homes be weatherized; is that correct?

7 A. Yes.

8 Q. Now, is it your understanding that the company
9 and Staff have agreed that there would be no increase in
10 revenue requirement in this case?

11 A. Yes.

12 Q. But, to your knowledge, is there any specific
13 charges, any specific charges included in the company's rates
14 to cover the cost of these energy efficiency audits or the
15 weatherization program that is being proposed by Staff?

16 A. No, there aren't.

17 Q. I think the Commissioners also asked you about
18 a number of LDC programs that are in existence in Missouri.
19 Is it your understanding that some are covered by ratepayer
20 funds and some are not?

21 A. Yes.

22 Q. There were also some questions regarding the
23 Energy Star program. Is that a program that's mandated by
24 state statute or where does that come from?

25 A. I believe that's a Department of Energy

1 program.

2 Q. Okay. It's not under the jurisdiction of this

3 Commission?

4 A. No.

5 Q. Okay. And other items that could promote

6 energy efficiency that aren't under the Commission's

7 jurisdiction would include things like building codes in local

8 areas; is that right?

9 A. Did you say that are or are not?

10 Q. Are not.

11 A. Are not. It's my understanding that they are

12 not.

13 Q. And in this case did Atmos originally propose

14 a weather normalization adjustment clause?

15 A. Yes.

16 Q. Is it your understanding that the company has

17 now abandoned that proposal and is endorsing the delivery

18 charge proposal in lieu thereof?

19 A. Yes.

20 Q. Commissioner Gaw also asked some questions

21 about the impacts on various customer levels of the Staff's

22 delivery charge proposal. Have you reviewed the schedule

23 that's attached to Pat Childers' Surrebuttal Testimony,

24 Surrebuttal Schedule No. 2?

25 A. Let me see.

1 Q. I've got a copy of that, if that would be
2 helpful.

3 A. That's okay. Did you say Schedule 2?

4 Q. Yes. Surrebuttal Schedule 2, page 1 of 2.

5 A. I have page 2 of 2. Hang on.

6 Q. Page 2 of 2. Maybe that's the better
7 schedule, yes. Do you have that?

8 A. I have them both.

9 Q. Does that indicate the impact on a percentage
10 basis of the proposed delivery schedule and three non-gas
11 rates and four PGA areas?

12 A. Could you repeat that?

13 Q. Yes. Is it your understanding that this
14 schedule would answer some of Commissioner Gaw's questions
15 regarding customer impact of the proposed delivery charge rate
16 design three non-gas areas and four PGA areas?

17 A. Yes.

18 Q. For example, for a typical residential
19 customer in the Butler area, the percentage change would be
20 1.4 percent?

21 A. Of -- yes, on their total bill.

22 Q. And then on the Greeley area, it actually goes
23 down by 6.9 percent, is that right, for residential firm?

24 A. Yeah. I'm not -- I don't see Greeley on my
25 schedule.

1 Q. I'm sorry. It's the second one, Missouri G,
2 division 29.

3 A. Okay. Okay. Yes, it goes down 6.9 percent.

4 Q. And then just looking at the largest division,
5 the SEMO division, what does that indicate for the percentage
6 change for residential?

7 A. The change in their total bill would be
8 .4 percent.

9 Q. And the other districts are listed here as
10 well. Right?

11 A. Yes.

12 Q. The Commissioner asked you some questions
13 regarding the survey responding to the natural gas crisis,
14 America's Best Natural Gas Energy Efficiency programs --

15 A. Yes.

16 Q. -- do you recall that?

17 A. Uh-huh.

18 Q. Would you turn to the executive summary? At
19 the very first paragraph of that executive summary it
20 indicates that the year 2003 marked a dramatic turnaround in
21 the situation regarding US natural gas market. After many
22 years of very low prices, there's been roughly a doubling of
23 gas prices in the wholesale market. Is that -- would you
24 agree with that statement?

25 A. I think so. Let me look. I'm still trying to

1 find it.

2 Q. I'm sorry. I've got a copy too, if you need
3 it.

4 A. Do you? May I?

5 Q. Although I may not be able to read it if I --

6 A. It's here somewhere.

7 Thank you. Okay. Could you repeat your
8 question?

9 Q. Yeah. I just read the first two sentences of
10 that paragraph and ask if you agree with that.

11 A. Yes.

12 Q. And then in the next paragraph it indicates
13 that in the face of these developments, there's been
14 considerable re-awakened interest in the subject of natural
15 gas energy efficiency programs; is that right?

16 A. That's correct.

17 Q. Is the fact that natural gas prices have gone
18 up so much one of the reasons why the Staff is interested in
19 decoupling the rates in this case?

20 A. Yes.

21 Q. There were also some questions regarding, I
22 think, some of Ameren's proposals or tariffed efficiency
23 programs. Do you recall those?

24 A. Yes, I do.

25 Q. Now, is Ameren the largest combination

1 electric and gas company in Missouri?

2 A. Yes.

3 Q. It's several times bigger than even the second
4 largest public utility in the state, is that right, on a
5 revenues basis or customer basis, either one?

6 A. I couldn't answer that. I know it's -- it's
7 quite a bit larger than any of the others.

8 Q. Okay. There were also some questions
9 regarding Laclede. That's the largest LDC in the state of
10 Missouri; is that right?

11 A. Yes.

12 Q. Do you know if it has more than 500,000
13 residential customers?

14 A. I think so.

15 Q. And is it your understanding that Atmos has
16 about 50,000 residential customers or about 1/10th the size of
17 Laclede?

18 A. Yes.

19 Q. There was also some discussion of the MGE
20 tariffed weatherization program. Paragraph 2 of that sheet 96
21 of that tariff indicated that MGE's weatherization shall not
22 exceed 3,000 and is expected to average about \$1,750. Does
23 that sound right to you? Is that correct?

24 A. You mean is that correct as to what the tariff
25 says?

1 Q. Yes. Paragraph 2, sheet 96.

2 A. Yes, that's what it says.

3 Q. Okay. Then on the Empire Exhibit 138, there's
4 an E paragraph where I believe it indicates that financing in
5 excess of \$10,000 will be at the discretion of the company on
6 a case-by-case basis; is that right?

7 A. Yes.

8 Q. Let's go back to that NARUC resolution, which
9 is attached to your Direct Testimony, Schedule 3-2.

10 A. Okay.

11 Q. It indicates in the next-to-the-last resolved
12 clause, NARUC encourages State Commissions and other policy
13 makers to review the rate designs they have previously
14 approved to determine whether they should be reconsidered in
15 order to implement innovative rate designs; is that right?

16 A. That's correct.

17 Q. Is that what the Staff is proposing to do in
18 this case?

19 A. Yes.

20 Q. Staff and the Commission have already approved
21 a rate design in Missouri that does have weather mitigating
22 effects. Is that your understanding?

23 A. It's my understanding, yes.

24 Q. And that would be for Laclede; is that right?

25 A. Yes.

1 Q. It's not a delivery charge, but it's a higher
2 customer service charge with a high first block; is that
3 right?

4 A. Yes.

5 Q. I'd like to refer you to Exhibit 140, which is
6 the Oklahoma Commission Staff survey. And I'd like to turn
7 you to page 13 of 22, which has the Missouri response.

8 A. Okay. I'm there.

9 Q. The last sentence of that response indicates,
10 Also, in many rate cases, Missouri Staff is looking at
11 changing our policy on customer charges to address this issue
12 directly without the need to implement surcharge provisions;
13 is that correct?

14 A. That's correct.

15 Q. Is that what you're doing in this case,
16 re-examining rate structures in rate cases?

17 A. We are re-examining rate structures in rate
18 cases. 179 was a peripheral issue.

19 Q. Okay. That's another thing that you're
20 addressing in the context -- or at least the weather
21 mitigating aspects of the policy behind 179. Is that what
22 you're saying?

23 A. We think of it as being 179 friendly.
24 We're -- we didn't want to come out with something that was
25 just absolutely totally against the intent of 179, but we're

1 not trying to address 179.

2 Q. I believe Commissioner Gaw also asked some
3 questions about the status quo rate design and why that wasn't
4 better.

5 A. Yes.

6 Q. Do you address that in your Rebuttal Testimony
7 on page 6?

8 A. Yes.

9 Q. I'm not going to go through these, but do you
10 agree that those are still valid criticisms of the status quo
11 rate design?

12 A. Yes.

13 JUDGE DIPPELL: Thank you, Mr. Fischer.

14 MR. FISCHER: That's all I have.

15 JUDGE DIPPELL: Thank you.

16 Is there further cross-examination based on
17 questions from the Bench from Public Counsel?

18 MR. POSTON: Yes. Thank you.

19 RE-CROSS-EXAMINATION BY MR. POSTON:

20 Q. Turning back to the Exhibit 140 that
21 Mr. Fischer just asked you about --

22 A. Is that the Oklahoma one?

23 Q. Yeah.

24 A. Yeah.

25 Q. There was that last sentence, it says, In many

1 rate cases, Missouri Staff is looking at changing our policy
2 on customer charges to address this issue directly without the
3 need to implement surcharge provisions.

4 Are you saying that that's incorrect, that
5 that's not why in this rate case you're looking at changing
6 your policy?

7 A. I think that this makes it sound more
8 important than it was in our decision making.

9 Q. So you'd say this is incorrect then?

10 A. I don't know if I -- if incorrect would be the
11 term I'd use. I'd say that to the extent that it
12 characterizes our decision process as being one to address
13 179, that that's incorrect.

14 Q. Who prepared this answer?

15 A. Warren. Warren Wood.

16 Q. And when Commissioner Gaw first started asking
17 you questions, one of the first questions he asked you was
18 about the proposal and how it was developed. I believe he
19 asked you if you came up with it alone and you said no, you've
20 had discussions with other people in Staff. Correct?

21 A. Yes.

22 Q. Before you filed your Direct Testimony in this
23 case, was Mr. Barnes one of the people you spoke with about
24 this?

25 A. We talked to Financial Analysis briefly so

1 that they'd be aware that we were proposing some rate design
2 changes.

3 Q. Did you personally speak with Mr. Barnes about
4 your Direct Testimony?

5 A. No. I don't believe that I did.

6 JUDGE DIPPELL: Ms. Ross, can I get you to
7 speak more into the microphone?

8 THE WITNESS: I'm sorry. I keep hitting it.

9 JUDGE DIPPELL: We do have people listening,
10 including some of the Commissioners.

11 BY MR. POSTON:

12 Q. And Commissioner Gaw also asked you questions
13 about what research you've done about past Staff positions.
14 And to the extent that the issue of how to proportion the
15 non-gas cost has come up before, is it true that you haven't
16 considered Staff's rationale in those case in forming your
17 position in this case?

18 A. Could you repeat that question?

19 Q. To the extent the issue of how to proportion
20 the non-gas costs has come up before, is it true that you have
21 not considered Staff's rationale in those cases in forming
22 your position in this case?

23 A. No.

24 Q. What past rationales of Staff have you taken
25 into consideration?

1 A. Well, I was involved in a lot of those cases
2 sometimes peripherally and sometimes I actually worked on rate
3 design. Our rationale has changed over the years. When I
4 first started, we were -- it seemed like the policy was to go
5 toward lower customer charges and higher volumetric rates.
6 That was 15 years ago.

7 As time has gone by, as -- if -- if -- as
8 things have happened, as gas prices themselves have gotten
9 higher, as there have been talks about shortages, our -- our
10 decision-making process has changed. So I'd hate to say I
11 didn't consider what we'd done in the past because that's not
12 true.

13 Q. Okay. You also replied, I believe to
14 Commissioner Gaw, that a flat charge year-round is a benefit
15 of your proposal; is that correct?

16 A. Yes.

17 Q. Isn't it true that Atmos' customers currently
18 have the option of leveling their bills through the level
19 billing plan?

20 A. If they want to completely level their bills,
21 yes. But that levels gas costs as well as the margin piece.

22 Q. And Commissioner Gaw asked you what other
23 states are doing with regard to conservation and we've had
24 those discussions. Do you believe it can be helpful to this
25 Commission to look at the other programs and other

1 conservation measures taken by the other states?

2 A. Sure.

3 Q. And the Exhibit 139, I believe that's the --
4 how would you characterize this? As a report?

5 A. Is it the responding to --

6 Q. Yes.

7 A. Yes, it was a report.

8 Q. And what is the date of this?

9 A. The date is December 2003.

10 Q. So is it possible that in the three years
11 since this was written, that there could be better programs
12 that are out there being implemented by other states?

13 A. Yes.

14 MR. POSTON: That's all I have. Thank you.

15 JUDGE DIPPELL: Thank you.

16 Is there redirect?

17 MR. BERLIN: Yes, Judge. I'll try to minimize
18 the redundant questions. I think Mr. Fischer asked many of
19 mine.

20 MR. BERLIN: I would like to just note to the
21 Commission that based upon some earlier questions by
22 Commissioner Gaw, that Bob Schallenberg is downstairs in his
23 office and certainly available to address any policy questions
24 that the Bench may have of him.

25 And that Henry Warren -- and this would be in

1 response to Commissioner Clayton's line of questions regarding
2 block rates -- is available for questions should the
3 Commission have those.

4 REDIRECT EXAMINATION BY MR. BERLIN:

5 Q. Ms. Ross, Commissioner Clayton asked you what
6 the acronym NAECA stood for. Do you recall that question?

7 A. No, I don't recall him asking me what that
8 stood for.

9 Q. He asked you I think in light of the line of
10 questions with regard to the Empire District tariff and it was
11 the part 6 of 138, sheet No. R-49, residential customer
12 purchase plan. And I believe it was used in the context of
13 paragraph B, Equipment finance must exceed the NAECA minimum
14 efficiency requirements.

15 A. Yes. I remember that.

16 Q. Okay. Would you agree with me that the NAECA
17 stands for the National Appliance Energy Conservation Act?

18 A. That -- that would give you NAECA, so yes.

19 Q. Okay. Mr. Poston had asked you some questions
20 regarding Staff's proposed rate design. Is it your opinion
21 that Staff's proposed rate design gives customers the greatest
22 break during the winter months?

23 A. Yes.

24 Q. Isn't the winter months when they need the
25 greatest pricing help?

1 A. If they're space heating and/or water heating
2 customers, yes, the winter months -- their usage will go up in
3 the winter months.

4 Q. And would low-income customers typically
5 reside in poor housing stock?

6 A. Yes.

7 Q. And would poor housing stock be a cause for
8 low-income customers to use more gas during the winter months?

9 A. Yes, it could.

10 Q. Mr. Poston had asked you about the largest
11 portion of the gas bill I think in some questions regarding
12 the effect on conservation. And I believe that you have
13 responded that the actual gas cost is the largest portion of
14 the gas bill; is that correct?

15 A. I don't remember responding to that. I agree
16 with that statement.

17 Q. Okay. Would the cost of gas then be an
18 incentive to conserve gas for a customer?

19 A. Yes.

20 Q. Okay. Commissioner Gaw had asked some
21 questions regarding the traditional rate design or the status
22 quo rate design. Would you agree that the status quo rate
23 design was implemented during a time period where the
24 utilities needed to offer low customer service charges to
25 entice customers onto the system?

1 A. The status quote rate design has been around
2 for about 100 years so, yes, I would -- I would agree that --
3 that that type of rate design was put in place to try to pick
4 up customers and encourage them to use more.

5 Q. So those low customer service charges were set
6 in order to compete with competitive sources of energy such as
7 propane?

8 A. Yes.

9 Q. Are we at a stage now in the natural gas
10 industry that would be characterized by a mature industry or
11 one that is undergoing rapid growth?

12 A. I believe that it's mature. In the last few
13 cases I've participated in, I don't remember the growth rate
14 in customers as being very large.

15 Q. Now, during your tenure here at the
16 Commission, has a utility ever proposed a fixed variable rate
17 or a fixed delivery charge such as Staff is proposing in this
18 case?

19 A. I believe that in the last MGE case, that they
20 proposed a fixed charge.

21 Q. Is that the current MGE case?

22 A. No. It would be 2004-0209.

23 Q. Okay.

24 A. I don't remember whether Laclede did or not.
25 That might have been one of their proposals as well in their

1 2003 or '4 case.

2 Q. Would Staff have any reason to review this
3 position?

4 A. I don't -- could you rephrase that?

5 Q. That is, would Staff have any reasons to
6 consider going to a fixed variable rate or fixed delivery
7 charge rate design?

8 A. So you mean would Staff have any reason to
9 revisit this --

10 Q. Yes. That's a better --

11 A. -- rate design?

12 Q. -- choice of words, yes.

13 A. Yes. I think that the national dialogue on
14 conservation and on decoupling has -- has really put this
15 issue out as something that all the commissions need to be
16 looking at.

17 Q. Okay. And if a utility's cost of service is
18 partially recovered by a volumetric rate charge, would the
19 utility have any reason at all to encourage conservation?

20 A. Not voluntarily, no.

21 Q. Okay. With regard to risk, I believe this was
22 also along the lines of Commissioner Gaw's questions, isn't
23 there a risk that the company's revenue stream can be
24 adversely affected by customers that drop off the system?

25 A. Yes. There are cus--

1 MR. POSTON: I'm sorry, objection. That's a
2 leading question.

3 JUDGE DIPPELL: Can you rephrase the question,
4 Mr. Berlin? Objection sustained.

5 MR. BERLIN: Yeah, sure.

6 JUDGE DIPPELL: Can you rephrase?

7 BY MR. BERLIN:

8 Q. Let me ask, do customers dropping off a system
9 pose a business risk to a utility?

10 A. Yes. That isn't the only risk that the
11 utility would face though.

12 Q. Is that a significant risk?

13 A. Yes.

14 Q. Have you spoken to any customers or groups of
15 customers that have indicated any preference of a rate design?

16 A. My mother and her friends is about all I've
17 talked to so, no, not -- not officially.

18 Q. Okay. Now, there were many questions, I
19 believe, with respect to Dr. Proctor's previous testimony in
20 past cases. Are the circumstances that prompted Dr. Prop--
21 Dr. Proctor's testimony in past cases, are they -- are those
22 circumstances the same as the circumstances in the Atmos case
23 today?

24 A. I don't know. Every case that we do is
25 different so I think that they very easily could be, but I

1 don't know.

2 Q. Now, will customers pay for the \$78,000
3 weatherization program in their rates under Staff's design?

4 A. No.

5 Q. And, finally, when the Commission issues an
6 order setting rates, are they deemed -- are the orders of the
7 Commission that set rates deemed to be just and reasonable?

8 A. Yes.

9 MR. BERLIN: Okay. No further questions,
10 Judge.

11 JUDGE DIPPELL: Thank you.

12 All right then. Ms. Ross, I believe that
13 concludes that portion of your testimony.

14 I think what we're going to do is we're going
15 to continue on with Ms. Meisenheimer with what Commission
16 questions we can and get as far as we can today on as many
17 things as we can. And then we'll probably end up coming back
18 tomorrow but we probably will not begin until 1:00 tomorrow
19 because of conflicts with agenda.

20 So let's go ahead and bring Ms. Meisenheimer
21 up. Let's see. Ms. Meisenheimer, you've been previously
22 sworn, we've already admitted your testimony but we haven't
23 done cross-examination on this issue. So we'll begin with
24 cross-examination by Atmos on rate design.

25 MR. FISCHER: I'll pass the witness at this

1 time.

2 JUDGE DIPPELL: Okay. Staff?

3 BARBARA MEISENHEIMER testified as follows:

4 CROSS-EXAMINATION BY MR. BERLIN:

5 Q. Ms. Meisenheimer, do you have a copy of your
6 Surrebuttal Testimony?

7 A. I do. Is there a page you'd like me to go to?

8 Q. Yes. Page 9. Go to line 11, please, and
9 starting with that question on line 11 and read through
10 line 14.

11 A. It says, Have you performed an analysis in
12 this case that compares low-income household use to average
13 use per customer?

14 The answer is, Yes. For each district, I
15 compared the average LIEAP customer use to the average
16 customer use and found them to be very similar in every
17 district.

18 And maybe to shorten this --

19 Q. Well, Ms. Meisenheimer, I only asked you to
20 read this, so thank you. I will follow up with a question
21 though. Is that your testimony -- does that remain your
22 testimony today?

23 A. I would add to it that that evaluation was
24 based on sample data that was --

25 Q. I would like to --

1 A. -- gathered by the Staff.

2 Q. Is that a yes or no answer? Is it yes or no?

3 I mean, does this remain your testimony today?

4 A. It's a qualified yes.

5 Q. Would you agree that low-income customers tend

6 to have older, less efficient gas furnaces?

7 A. Generally, yes, I -- I'd agree with that.

8 Q. Would you agree that low-income customers tend

9 to have less efficient appliances such as gas water heaters?

10 A. I -- I believe that as a general broad

11 statement, yes, that's probably true.

12 Q. And would you agree that low-income customers

13 tend to have less efficient or inadequate home insulation?

14 A. In -- unless they have participated in some

15 kind of program, then yes, I would say generally overall

16 across customers, I -- I wouldn't disagree with that.

17 Q. Would you agree that when a cold spell hits,

18 lower-income customers will need to buy more gas to heat their

19 homes and run appliances than the general population of

20 customers?

21 A. I -- I cannot agree with that.

22 Q. Okay.

23 A. It may be -- did you want me to explain or --

24 was that a no?

25 Q. No, I don't.

1 A. Okay.

2 Q. I'm just trying to understand, you know, your
3 position.

4 Do high-efficiency gas furnaces and
5 high-efficiency water heaters tend to be expensive items?

6 A. Yes.

7 Q. Difficult for low-income folks to buy?

8 A. Unless they have assistance through some type
9 of appropriate program that encourages efficiency and
10 conservation.

11 Q. Okay. Is it expensive to add home insulation?

12 A. Yes. Unless they participate in some type of
13 efficiency program such as a low-income weatherization program
14 or other programs such as perhaps PAYS that might assist them
15 defer the up front cost.

16 Q. Are many low-income customers rental-type
17 customers? Do many low-income customers live in rental
18 apartments or other multi-unit dwellings?

19 A. I'd say that's a fair characterization, that
20 low-income might be more likely to be renters.

21 Q. Under that scenario, do landlords of these
22 rental apartments or rental multi-unit dwellings have an
23 incentive to buy new, high-efficiency gas furnaces or
24 high-efficiency gas water heaters for their tenants?

25 A. Well, it depends on how the -- how their rent

1 is structured, you know. If the customer pays their own
2 utility bills, then no, it would not be likely unless there
3 were some additional incentives such as a program that
4 provided a discount on high efficiency provided to building
5 owners.

6 MR. BERLIN: Thank you, Ms. Meisenheimer.
7 Those are all of my questions.

8 JUDGE DIPPELL: Thank you.

9 Are there questions from the Bench?
10 Commissioner Gaw? Do you want -- if you have to leave --

11 COMMISSIONER GAW: I'm going to go for just a
12 little while and then I'll need to come back later.

13 QUESTIONS BY COMMISSIONER GAW:

14 Q. Ms. Meisenheimer, in regard to -- first of
15 all, let me ask you this. How long have you been with Public
16 Counsel?

17 A. Almost 11 years.

18 Q. And have you been involved in very many
19 rate-making cases involving gas companies in that 11 years?

20 A. I've -- not nearly as many as phone cases as
21 I've been involved in, but yes, I've been involved in I
22 believe all of the gas cases over the last couple of years.

23 Q. During the time frame that you've been there,
24 have you been at least somewhat familiar with the proposals
25 that have gone on in regard to rate design?

1 A. Yes.

2 Q. Do you recall ever in the past, other than
3 this case and potentially this MGE case that's been mentioned
4 that's currently ongoing, where the Staff has taken the
5 position it has in this case regarding placing all of the LDC
6 charges on a fixed charge?

7 A. I never remember seeing this before. It is
8 not like what -- like what occurred in -- in the Laclede
9 settlement proposal in terms of rate design. It has far
10 different impacts. I know of no other case where the Staff
11 has -- has proposed this in gas. And it is extremely -- it's
12 of great concern to Public Counsel that the Staff has -- has
13 taken a position that's even more attractive to the company
14 than its own proposal.

15 Q. Okay. Let me ask you this then. So at what
16 point in time in this case was it first made clear in the --
17 avoiding any settlement discussions that might have taken
18 place, but at what point in time did it become clear that
19 Staff was taking the position that it is in this case, if you
20 recall?

21 A. Well, I -- I read it in Direct Testimony of
22 Ms. Ross.

23 Q. Okay. Is that the first time that you have
24 seen Staff take this position in regard to rate design was in
25 that particular document? And I'm not just talking about this

1 case now.

2 A. We had -- we had preliminary discussions with
3 the company, but I honestly cannot remember whether those --
4 some of those occurred before testimony was filed or not.
5 So -- but I can fairly say that my recollection is that we had
6 not seen something like this from the Staff prior to this
7 case.

8 Q. Okay. And I recognize that you have made
9 statements in testimony regarding your views on this, and I
10 might have actually looked at some of that despite the feeling
11 of some counsel in this case. But I would ask you, if you
12 wouldn't mind, telling me what it is that concerns you about
13 this type of rate design in regard to the fixed charge
14 portion.

15 A. I have a number of concerns and I'm trying to
16 make a list so that I can be organized. I -- I guess let me
17 start with the issue of what is the need for change. In this
18 case, the company certainly came in claiming that it needed an
19 increase.

20 The Staff, in fact, found that this company
21 needed -- needed their rates decreased. I think that where
22 the Staff ended up was \$1.2 million in terms of their
23 testimony. They have now abandoned that position, instead
24 being willing to settle for no increase and no decrease as an
25 outcome and providing this rate design to the company.

1 So, number one, if the increase -- if there is
2 no increase -- and I believe that Mr. Imhoff actually in --
3 in -- in surrebuttal he may have done some testimony about --
4 or actually in rebuttal, he did some testimony about that if
5 there is no change, then there -- they don't need to do any
6 shifting, if you will, of the costs between districts and
7 they'll just collect from each district what it does now and
8 we're not opposed to that. That gets us halfway to our
9 proposal, which is don't change anything without a reason to
10 do so.

11 So this rate design, I think that there are
12 problems with issues related to compounding as well. And what
13 I mean by that is you are compounding the effects in the
14 Staff's original proposal of shifts between classes upon
15 consolidation where -- where I don't think there's been
16 adequate basis for that consolidation. And those two things
17 coupled with a rate design that collects all of the money in a
18 single, flat rate charge means that customers can't even
19 escape it if it's unfair to them.

20 And although Ms. Ross has spoken a lot in this
21 case about what costs are, she admitted here on the stand that
22 she doesn't know what the costs are. And I think that is
23 very, very important. We're not opposed to looking at
24 consolidation, we just don't think that a case where there's
25 absolutely no reason to do so based on cost is the appropriate

1 time or place to do it.

2 Q. Okay. And would one of the potential reasons
3 for -- and I'm not asking you whether Public Counsel would
4 support this or not, but would one of the potential reasons
5 for moving toward more of the charges or all of the charges
6 being fixed on the LDC portion be if there were significant
7 changes and efforts made on a conservation effort? Would that
8 be one factor to look at?

9 A. It -- it would be a factor to look at in terms
10 of what would -- what would get us closer to being willing to
11 give up --

12 Q. Yes.

13 A. -- a customer's ability to control how much
14 money comes out of their pocket.

15 Q. And that statement in regard to customer
16 control that you just made, is that one of the linchpins of
17 Public Counsel's position in this case?

18 A. Yes. And one of -- one of the things related
19 to that that I hadn't gotten to yet, one of the reasons we
20 oppose this rate design had to do with its impact on low-use
21 customers.

22 Q. All right.

23 A. And in my Direct Testimony I did not
24 specifically make claims about low use versus low income. And
25 that is because I -- I had actually looked at some data that

1 the Staff got, it was a small sample of data regarding
2 low-income customers.

3 And it -- based on that small sample -- and,
4 you know, granted it was a small sample, it didn't seem to me
5 that there was a substantial or a statistically significant
6 difference between, you know, anything measurable. So I
7 didn't raise that as a separate issue in this case.

8 But just as a rule, low use, whether it might
9 be a single, elderly low-income customer that is also a
10 low-use customer, whichever, this rate design collects more
11 from them and substantially more from them.

12 And so, you know, I think it's a bigger
13 problem than just conservation will solve, but conservation is
14 certainly -- a good conservation program is certainly one
15 thing that would get us a step closer to -- and other types of
16 programs -- to agreeing to something.

17 And there's also the issue of, you know, risk
18 to us, what is our risk of losing this issue. You know, we
19 agreed in the Laclede case. We agreed to a stipulation that
20 had a rate design that, you know, quite honestly, we weren't
21 really enamored with, but an evaluation of risk and an
22 evaluation of a number of programs being adopted, including
23 our GSIP, all of those things combined, those concessions by
24 the company got us there.

25 In this case, I do not feel like concessions

1 of meaning are being offered up here.

2 Q. For the customers that you represent?

3 A. Right. Yes.

4 Q. And just for the record, what is a GSIP?

5 A. Oh, that's the Gas Supply Incentive Plan. And
6 I don't -- I certainly don't mean to sound like we would be in
7 favor of any old GSIP. We specifically designed one that
8 Laclede accepted I believe twice.

9 Q. Now, you were asked some questions and I want
10 to get back to -- you were going through some details. And I
11 don't want to get too far afield here, but there was -- there
12 was a set of questions asked by I believe Staff counsel
13 regarding the impact on low-income customers of this move to a
14 fixed charge. Do you recall generally some of those
15 questions?

16 A. Yes. That -- that if they used more on
17 average --

18 Q. Yes.

19 A. -- and, you know, we need to be sure that
20 we're talking about on average versus -- I tried to talk more
21 about what is the range of impacts while the company and the
22 Staff like to focus on the average.

23 Q. Yes.

24 A. I like to talk about non-gas costs because
25 that's what's in this case. The company and the Staff like to

1 talk about the bill in total because it -- disguises the
2 change in non-gas cost.

3 Q. The change in non-gas cost, in your opinion,
4 it moves toward more disincentives for conservation rather
5 than more incentives. Wouldn't that be true?

6 A. Which one? The delivery charge?

7 Q. Yes. In Staff's position.

8 A. Yes. I believe that that's true. You get --
9 it's literally all you want to draw off the pipe comes at a
10 flat fixed rate. It's like a buffet.

11 Q. And currently with the volumetric portion,
12 that does at least provide some degree of disincentive for
13 more usage?

14 A. Yes, it does.

15 Q. Now, you said several times, I believe,
16 correct me if I'm wrong, that there was -- that if there was a
17 comprehensive program of some sort in regard to this going to
18 a fixed charge -- I want you to explain, if you would, what
19 you were talking about if you recall making those statements.

20 A. And I want to be clear that even if we got a
21 comprehensive conservation program, it is -- I would be
22 surprised to find myself in support of a flat fixed charge
23 that collects everything.

24 Now, if we're talking about something -- a
25 rate design that allows maybe some additional recovery of

1 non-gas costs on -- in a more predictable manner like maybe a
2 larger customer charge or other mechanism, then the type -- I
3 mean, I've already proposed a conservation program.

4 I came in I believe it was the last MGE case,
5 I -- you know, I -- there have been a lot of them. I believe
6 it was the last MGE case where I brought in a proposal for the
7 PAYS program. Actually, that was -- you know, I can't claim
8 it entirely as my own. Henry Warren and Ryan Kind had ex--
9 had described some interest in that in -- in electric.

10 Public Counsel actually hired a -- the -- a
11 consultant, the founders of the PAYS organization, to consult
12 with me regarding how might we do it in Missouri. We put on a
13 good case, I believe, for that. Ultimately, this Commission
14 decided that it was interested in a PAYS-like program, but did
15 not direct it to be implemented in that case.

16 Q. Now, back to my question again; that is, a
17 comprehensive program, do you believe it is necessary for that
18 to be a part of some sort of a move toward some fixed charge
19 or more of the charge being fixed if it is going to have the
20 kind of impact that you think from a policy standpoint is
21 warranted?

22 A. I think that there must be something paid back
23 to consumers. And a comprehensive conservation program might
24 be one element of that, as well as things like, you know -- I
25 like the idea of low-income weatherization.

1 I don't think that the proposals that the
2 Staff brought out and the company agreed to in surrebuttal
3 have enough detail to be sure that they're -- that they'll
4 actually happen. So I'm not real comfortable with these
5 particular proposals, not because I don't think the concepts
6 would work, but because I don't think there's any detail or
7 enough detail set out in them.

8 Q. Okay. Do you believe that Staff's position
9 perpetuates the status quo on conservation and inefficiency or
10 the lack of conservation and inefficiency among low-income or
11 other groups?

12 A. I think that it worsens.

13 Q. So it's not just the status quo, it's even
14 worse?

15 A. I think it's even worse.

16 COMMISSIONER GAW: I'm going to have to stop
17 for now, but I do have more questions.

18 JUDGE DIPPELL: Commissioner Clayton, do you
19 have more questions?

20 QUESTIONS BY COMMISSIONER CLAYTON:

21 Q. Could you repeat everything you said while I
22 was out of the room?

23 A. I'd be delighted to. Do you really want to
24 hear it again?

25 Q. Well, I didn't hear it the first time, but --

1 I apologize. I had to step out. I might as well put this on
2 the record. Our family had a little fender-bender last night
3 and we have an issue with one of our vehicles, so we are
4 getting that taken care of as quickly as possible so I
5 apologize for having to step out.

6 Ms. Meisenheimer, can you tell me just, in
7 general, can you summarize each of the points that you make in
8 your testimony? How many issues are we involving? Is it just
9 energy efficiency and conservation or are there more issues
10 than that you're testifying on?

11 A. Well, I testified on many issues of --
12 primarily our concern is this rate design proposal. I also
13 testified on miscellaneous proposed tariff changes.

14 Q. Do you testify on PGA or district
15 consolidation?

16 A. Yes. I testified on both. Did you -- did you
17 want to --

18 Q. Anything else?

19 A. -- know our position on either of those?

20 Q. We'll get to those. Let's talk about the
21 issues first. I want to see which ones I want to talk about
22 and maybe quickly go through them.

23 A. Economic development rider.

24 Q. I'm sorry. Say that again.

25 A. Economic development rider. And I had also

1 filed testimony on research and development, but I think that
2 that was resolved.

3 MR. FISCHER: Yes. That's on the resolved
4 list. Company's withdrawn that.

5 COMMISSIONER CLAYTON: Non-unanimous
6 stipulation?

7 MR. FISCHER: No. We just withdrew it.

8 COMMISSIONER CLAYTON: Gotcha.

9 THE WITNESS: I also filed testimony on cost
10 of service, which is -- since the parties ultimately agreed
11 to -- to retain the current revenues generated by classes and
12 just deal with the issue of do you roll them up for
13 consolidation or not, then the cost testimony that I did,
14 we've settled away from that.

15 BY COMMISSIONER CLAYTON:

16 Q. So is that the district-specific cost of
17 service --

18 A. Yes.

19 Q. -- or are you talking about class cost of
20 service or both?

21 A. It actually affects both.

22 Q. Both. Okay.

23 A. And if I could look at the issues list, I can
24 make sure.

25 Q. Why don't we focus on these since it's 4:55

1 here.

2 A. Okay.

3 COMMISSIONER CLAYTON: Well, I guess, Judge,
4 this is my question. I'm going to have questions regarding
5 the PGA consolidation, district cost of service consolidation,
6 and rate design I believe is where I'm going to focus. Can I
7 proceed on all those or do you just want me to focus on --

8 JUDGE DIPPELL: If you would start with rate
9 design, because that's what we've been talking about, I'd like
10 to let the parties do their recross on that issue.

11 COMMISSIONER CLAYTON: Okay.

12 JUDGE DIPPELL: And then I would like to see
13 if maybe we can skip to Mr. Ellis briefly because he's flown
14 in and I'm not sure if he's planning on being here tomorrow.
15 So --

16 MR. DORITY: Would you like for me to go ahead
17 and respond?

18 JUDGE DIPPELL: Yes, if you don't mind,
19 Mr. DORITY.

20 MR. DORITY: Mr. Ellis's testimony has been
21 received and he is here this afternoon.

22 JUDGE DIPPELL: Right.

23 MR. DORITY: He would be available in the
24 morning. I think his travel plans were to leave, fly back out
25 of St. Louis tomorrow afternoon. So I was going to ask if

1 there are any questions for Mr. Ellis, if they could either be
2 provided this evening or perhaps in the morning prior to
3 agenda then that would at least get he and perhaps Mr. Kerley,
4 I'm sorry, on the stand in the morning.

5 Now, Mr. Kerley is the Atmos witness on the
6 other tariff issues, which is the last segment that we have
7 not gone to yet. I don't want to speak for Mr. Poston, but
8 it's my understanding that neither he nor the Staff had any
9 questions for Mr. Kerley. So if the Commissioners had any
10 questions, again, if we could take those up this evening or
11 perhaps in the morning, then those gentlemen could at least
12 have a chance of getting out of here tomorrow afternoon.

13 JUDGE DIPPELL: And correct me if I'm wrong,
14 Mr. Dority, but did Mr. Ellis actually testify about the
15 reconnection charge or that was --

16 MR. DORITY: That was primarily --

17 JUDGE DIPPELL: -- Ms. Childers?

18 MR. DORITY: -- Mr. Ensrud had proposed that
19 and the company has agreed to the Staff's proposal.

20 JUDGE DIPPELL: So the only testimony on the
21 company's part with regard to that issue is just that you
22 accept Staff's position?

23 MR. DORITY: That's correct.

24 JUDGE DIPPELL: And Mr. Kerley, what was his
25 issue?

1 MR. DORITY: The other tariff issues which
2 include the main extension policy, the transportation tariff
3 changes to that.

4 JUDGE DIPPELL: Okay. Well, what I want to do
5 is stay and finish those things, go through the cross or if
6 there's no cross -- but make sure we've got all of that taken
7 care of and get whatever Commission questions we have for
8 those people tonight, if we can, so we can get them back out.

9 COMMISSIONER CLAYTON: What is Mr. Ellis's
10 topic? Forgive me for asking.

11 MR. DORITY: It was the miscellaneous tariff
12 issue.

13 COMMISSIONER CLAYTON: So Mr. Kerley and
14 Mr. Ellis are the miscellaneous tariff issues?

15 MR. DORITY: One's titled Miscellaneous Tariff
16 Issues and the other is Other Tariff Issues. They were broken
17 apart in the issues list. For instance, the miscellaneous
18 included the late payment fees non-sufficient funds, those
19 sorts of issues.

20 COMMISSIONER CLAYTON: I'm not going to have
21 any questions for those two witnesses. So as far as -- I was
22 going to say, if you wanted -- because I think we're going to
23 have to come back for Commissioner Gaw. He's not going to let
24 Ms. Meisenheimer off the hook that easily, so -- but I don't
25 think I'm going to have any questions, Judge. So I can either

1 proceed or --

2 JUDGE DIPPELL: Okay. Well, I don't believe
3 that there are any Commission questions for either Mr. Ellis
4 or Mr. Kerley. Would there be -- are there going to be
5 cross-examination questions for either of those witnesses?

6 MR. BERLIN: Judge, with regard to
7 Mr. Ellis --

8 JUDGE DIPPELL: Yes.

9 MR. BERLIN: -- there is a rate design
10 question that Gary Smith punted to him.

11 JUDGE DIPPELL: That's right. You had one.

12 MR. DORITY: But I believe Mr. Smith is the
13 witness that is going to re-answer that question and put that
14 exhibit in is my understanding.

15 MR. BERLIN: Okay. I have no problem with
16 that, Judge.

17 JUDGE DIPPELL: Okay. Mr. Poston, were you
18 going to have questions for either of those two company
19 witnesses?

20 MR. POSTON: No, Judge.

21 JUDGE DIPPELL: Okay. Well, then seeing no
22 questions for them, I thank Mr. Ellis for making the effort to
23 be here today. I apologize. Okay. So I will excuse those
24 two witnesses.

25 MR. DORITY: Thank you, Judge. We really

1 appreciate it.

2 JUDGE DIPPELL: They can be on their way.

3 This whole schedule has been a little hectic so -- what I
4 would like to do then is go ahead and -- Commissioner Clayton,
5 while we've got Ms. Meisenheimer on the stand, if you want to
6 ask your rate design questions, why don't we do that and then
7 take up the other issues that you might have questions for.
8 I'd like to get as much accomplished tonight as we -- as you
9 feel like staying for.

10 COMMISSIONER CLAYTON: I'm not -- I'm not
11 going to go that long. I assure everyone that I'm not going
12 to go that long.

13 BY COMMISSIONER CLAYTON:

14 Q. Ms. Meisenheimer, do you make a proposal for
15 energy efficiency and conservation in your testimony?

16 A. I do not.

17 Q. Do not. Okay. Is there any energy efficiency
18 or conservation program that the Commission could implement
19 that, in your opinion, would justify the rate design that the
20 Staff has proposed and the company has agreed to?

21 A. I can think of no conservation program that is
22 going to justify a rate design that collects everything
23 through a fixed cost. If you want to move more toward
24 collecting through fixed cost, I had originally -- or I had in
25 the MGE case, the last MGE case, proposed a PAYS plan that was

1 thoroughly discussed in the context of that case.

2 Ultimately, the Commission decided that it was
3 interested in PAYS, but did not go forward with the PAYS
4 program. We would have happily spoken to this company about
5 developing some type of PAYS conservation program in exchange
6 for a more reasonable rate design, but that's not what we have
7 in this case at this point.

8 Q. Do you know of any state in the nation that
9 has a rate design where 100 percent of the delivery costs are
10 in a fixed rate?

11 A. I know of one that is not quite as extreme as
12 this. And that is North Dakota.

13 Q. And they do 100 percent of the delivery costs
14 in a fixed charge?

15 A. And -- and in -- it was done through a
16 settlement where the parties agreed to --

17 Q. So is that a yes?

18 A. Yes.

19 Q. They do 100 percent of their fixed costs?

20 A. Yes.

21 Q. And that was North Dakota?

22 A. The -- there is also an -- an Atlanta --
23 Atlanta Gas Light. They collect everything through a fixed
24 charge, but the issues are how is the fixed charge determined
25 and was -- did it affect like the return, if you will, that

1 the company was allowed.

2 Q. In those cases or in this case, when you say
3 the issue?

4 A. That -- that's what I'm saying is different
5 about this proposal than those. In one of those, the company
6 accepted a lower return. In the other one in Atlanta, I
7 believe customers actually have a choice of gas -- of
8 marketer. So they get some competition in their commodity
9 rate.

10 And the actual fixed charge the way that it's
11 developed takes into account what the usage is at, if you
12 will, the premise. So a customer that conserves under that
13 program actually sees some kind of benefit from it, unlike
14 this plan that the Commission Staff is proposing to you.

15 Q. Was it Atlanta Gas Light -- was that where the
16 competition in the commodity purchases occurred?

17 A. They can choose from different marketers, I
18 believe, to provide their commodity. I actually have a little
19 handout that I think makes that clear if you'd like me to make
20 copies of it. I printed it from their website.

21 Q. Sure.

22 A. Okay. I will --

23 Q. I mean, unless there's any opposition. I
24 don't know if there's a problem with that.

25 JUDGE DIPPELL: I don't see any such

1 opposition, but perhaps we should let the parties see it
2 before --

3 MR. FISCHER: That would be our request, if we
4 could look at it before we have to answer that question.

5 THE WITNESS: And it is available on that
6 company's website. It's a description of how their rates are
7 determined. So -- and it wouldn't hurt me to make a better
8 copy of it.

9 BY COMMISSIONER CLAYTON:

10 Q. That's all right. You can make a copy of it
11 and then give it to us later unless there's an objection.

12 North Dakota, you say there was a reduction in
13 the rate, you said, or was it a reduction in the revenue
14 requirement or reduction in the ROE? What did you mean
15 reduction?

16 A. In the revenue requirement. The parties
17 agreed to take two alternatives to their Commission and let
18 their Commission pick. One of those alternatives had
19 everything recovered in a fixed rate and a total lower revenue
20 requirement or -- I don't even know -- if it's a settled
21 amount of money, I don't even know -- I guess you still call
22 it a revenue requirement, a target.

23 The other proposal actually maintained a rate
24 design more traditional like what we have here where there is
25 a fixed portion of non-gas recovery and volumetric portion and

1 gave the company a higher overall revenue requirement. And
2 the parties just agreed to take these two options to the
3 Commission and let them pick.

4 Q. Do you recall what the return on equity was on
5 the fixed charge in North Dakota? Did they have an agreement
6 on the ROE?

7 A. They -- I think it was done -- what I read
8 presented it in total dollars.

9 Q. Okay. Do you recall what the ROE would have
10 been in the Atlanta Gas Light case for the distribution
11 company?

12 A. No. At that -- at the point I was writing
13 this testimony, I was primarily concerned with the structure
14 of the rate itself and -- and I did not dive into all the
15 underlying revenue requirement type information and rate --
16 like ROE versus ROR.

17 Q. In the MGE case and the program that you
18 suggested, is it primarily focused on low-income or
19 lower-income customers or is it everyone or --

20 A. It -- it is -- it could be everyone. The idea
21 is that primarily the thing -- or the primary obstacle that
22 keeps people from efficient -- or attempting to be more
23 efficient in their use is generally the up front cost. It's a
24 big investment to do a lot of these efficiency measures.

25 And so what PAYS -- the PAYS program was

1 designed to do is that it puts up the money. You create a
2 pool of money. Customers can draw on this pool of money to
3 make those initial investments. And then over time, the
4 customer pays back that money that they borrowed from the
5 pool. So the pool is replenished and they pay it back in a
6 way that their total bill is actually lower on a monthly basis
7 because they are saving more than they're paying back.

8 Q. But it's not restricted to a particular income
9 class, or is it?

10 A. No, it is not. And I believe that when I
11 proposed it -- I should be careful because I think I actually
12 did put a cap on it. If you made above a certain amount of
13 money per year, you wouldn't qualify. I can't remember if it
14 was \$150,000 or something.

15 Q. You couldn't resist, could you?

16 A. But the -- I couldn't resist. Well, I didn't
17 want anybody claiming, oh, you're going to have millionaires
18 taking advantage of this program. So --

19 Q. Well, if we instituted the program that you
20 suggested in the MGE case, would you then support -- be in a
21 support to support the rate design supposedly agreed to in
22 this case?

23 A. I -- as I tried to explain earlier and maybe
24 didn't do it well enough --

25 Q. Just say yes or no.

1 A. -- I would not -- I could not support this
2 extreme proposal.

3 Q. No would be the answer then. Correct?

4 A. No.

5 Q. Okay. Can you explain to me what percentage
6 of the cost of service being placed in fixed rates would be a
7 level that you could support if implemented with a program
8 such as Pay as you Save or another conservation, slash, energy
9 efficiency program? Is it easy to identify 60 percent, 80
10 percent?

11 A. I -- I can, you know -- this Commission
12 actually did for MGE allow it to recover 55 percent of its
13 costs as a fixed rate. And I've said in I believe the current
14 MGE case that we're not going to oppose that. Could we go to
15 something more? It would depend on how good the conservation
16 program was and if there were additional programs that went
17 with it. So, no, I can't give you a number.

18 Q. So let's think about what with your answer was
19 here. You said that you wouldn't oppose if 55 percent were
20 placed in fixed rates?

21 A. Because we've already -- we've already done
22 that in another case. You already decided that was okay.

23 Q. But there is potential that you could agree to
24 more depending on the program?

25 A. Yes. I can't -- I don't have authority to

1 pick a number without running that by my attorney and by my --
2 ultimately by my boss.

3 Q. Okay.

4 A. I -- personally I think depending on what the
5 programs were, we could see to go, you know, maybe something
6 more than 55 percent.

7 Q. What is so magical about 55 percent?

8 A. You chose that number before in MGE.

9 Q. I'm talking about from your perspective. I
10 don't know if it was me that picked it either.

11 A. The last MGE case I think you -- you were one
12 of the Commissioners still -- I think.

13 Q. You think?

14 A. I think.

15 Q. Maybe you can check that out.

16 Is there anything magical about 55 percent
17 that Office of Public Counsel would be willing to not oppose
18 or whatever your language?

19 A. I think it's fair to say the reason we
20 wouldn't oppose 55 percent is because it's -- it's a threshold
21 you've already -- this Commission has already used.

22 Q. So there's nothing magical from your
23 perspective other than that the Commission has suggested a
24 willingness to adopt 55 percent?

25 A. Yes. I don't -- I don't know whether I would

1 have, on my own, even gone to 55 percent.

2 Q. Okay. Now, you've mentioned a lot about
3 conservation. Does the Public Counsel have a position
4 regarding energy efficiency, the Energy Star program,
5 education of the public on energy efficiency? Is there an
6 official position that Public Counsel has?

7 A. Public Counsel has tried to be very supportive
8 of implementing efficiency and conservation program that --
9 that can be shown to, you know, be of benefit to the entire
10 customer base. In gas it's a little harder to find those than
11 it is in electric because of the nature of the service.

12 Q. On energy efficiency?

13 A. In terms of what can benefit the entire
14 customer base. In electric where you're talking about
15 electric generation and potentially having to build new
16 generation facilities, there's -- you really -- you know, it's
17 more clear that you're creating a benefit to all the other
18 customers by not -- by conserving.

19 Q. Why do you say that?

20 A. Because it costs a lot of money, say, for
21 example, to build a new power plant. If you can avoid that
22 through conservation, you're benefiting all the customer base.
23 In gas, how -- what's the likelihood that this -- you know, a
24 reduction in my use is going to affect the natural gas price
25 overall?

1 Q. Does that mean you don't buy into the
2 statement that some energy efficiency groups have said
3 where -- and I don't even know if this is accurate, but like a
4 reduction of 5 percent of the overall natural gas usage would
5 reduce the price of natural gas by 25 percent? I make that
6 statement because it is an assertion that's been made by
7 energy efficiency groups in some form of what I just said.
8 Does that mean that you disagree with reducing the overall
9 usage of customers will not benefit all the customers?

10 A. I've done no elasticity study to determine
11 what's the relationship between a reduction in quantity of a
12 certain amount and a change in the price of a certain amount
13 so --

14 Q. So I guess that would be --

15 A. It's not fair for me to say.

16 Q. -- no?

17 A. No.

18 Q. No, you don't buy that?

19 A. No. I can just say no.

20 Q. Yeah. Okay.

21 A. Did you want me to go on about the Energy Star
22 and the efficiency programs?

23 Q. Yeah. Do you believe that the Commission has
24 a role in -- well, first of all, do you believe it's a good
25 program? Should we be promoting it? Should we be taking

1 steps here to make people aware of the Energy Star program,
2 make people aware of energy efficiency?

3 A. Yes. We -- we have actually -- Public Counsel
4 has actually worked with companies in an attempt to get them
5 to promote more efficient use by their customers. I think it
6 was Southern Missouri Gas that was mentioned here. They have
7 a tariff.

8 Also, we have participated in the Ameren
9 groups that have reviewed the programs that Ameren is
10 promoting. I -- I do have a little bit of concern about the
11 Ameren programs that over time they've been reducing the types
12 of efficiency measures that are available to customers through
13 that program; in other words, the smaller, less expensive ones
14 they didn't find there was a big take rate for those so
15 they -- they trimmed those from the program, if you will.

16 But in terms of encouraging people to install
17 more efficient home heating and -- I think it's been a very
18 good program.

19 Q. The Ameren program?

20 A. Yes. Funded by ratepayers.

21 Q. Is it your opinion that energy efficiency and
22 conservation programs should be funded by ratepayers or funded
23 by the company or both?

24 A. Or I'm sorry. I'm sorry. That's funded by
25 shareholders. I'm sorry. That was my -- I misspoke. The

1 Ameren program is funded by shareholders. It was, if I
2 remember correctly, a result of the last complaint case that
3 created a program.

4 Because, as a rule, some programs I think can
5 reasonably be funded by shareholders and certainly ratepayers
6 may have a reason to contribute to some. Let me give you an
7 example. In a case where a company is trying to compete --
8 say, for example, you have a gas company that's trying to
9 compete with a propane dealer, the state -- or the
10 shareholders may have an interest in providing additional
11 benefits to their customers that draw customers to them, and
12 one of them is to encourage ways where the customer's total
13 bill will be lower.

14 In other cases where you have a program that
15 can be shown to benefit the entire customer base or meet some
16 other goal such as substantially targeting reductions in
17 uncollectibles and other things, there may be a reason for
18 residential customers and other customer groups to help fund
19 those measures. And we've supported both. Our office has
20 supported cases where discounts were provided or measures were
21 supported by shareholders and in -- and there are cases where
22 they've been supported by ratepayers.

23 COMMISSIONER CLAYTON: I don't have any other
24 questions at this time. If you can submit that document you
25 referenced earlier to the parties, make sure there are no

1 objections; and if there are, we can take that up. But
2 subject to looking over that, possibly asking a question about
3 that, I don't have anything further for this witness tonight
4 on this issue.

5 JUDGE DIPPELL: Okay. Ms. Meisenheimer, tell
6 me again exactly what that item you had was.

7 THE WITNESS: What it is, is I printed it off
8 Atlanta Gas Light's website. It is a description for
9 customers, available to customers to read that describes their
10 basic -- how their basic rates are determined. And it goes
11 through actually a series of Q and As for customers to help
12 them understand better how their bill will be calculated. And
13 it has numerical examples. So it's a publicly available
14 document. It's not something I got --

15 JUDGE DIPPELL: Okay. Just to keep track of
16 things on the record, I'm just going to mark that as -- I'll
17 mark it as a -- I've been marking the others in order as if
18 they were Staff exhibits, but they were Commission exhibits
19 when they were requested from the Commissioners, but I'm just
20 going to keep in that line.

21 So I'm going to mark that just for
22 identification purposes as Exhibit 141. And if you could make
23 copies of that and provide that Mr. Poston as a late-filed
24 exhibit, then we'll take objections at that time.

25 All right. I know that Commissioner Gaw has

1 additional questions for Ms. Meisenheimer, so do you prefer to
2 ask your recross questions now while they're fresh in your
3 memory or save them until Commissioner Gaw is finished?

4 MR. FISCHER: Given the time, I can save
5 those.

6 MR. BERLIN: Staff would prefer to wait until
7 he's finished.

8 JUDGE DIPPELL: Okay. Let's stop then with
9 Ms. Meisenheimer on this topic until another day.

10 All right. Let's go ahead and take a
11 10-minute break. I think our court reporter might need a
12 little break. And in that time we'll talk off the record a
13 little bit more about the schedule and then see where we are.
14 So let's break until 5:30 by that clock.

15 I will note that I imagine the front doors to
16 the building will be locked so if you go outside, you may need
17 a Staff person to let you back in. So let's go off the
18 record.

19 (A recess was taken.)

20 JUDGE DIPPELL: Okay. We discussed about
21 scheduling after the -- or during the break and what we're
22 going to do is we're going to put Mr. Smith back up to talk
23 about rate design, we're going to ask him Commissioner
24 Clayton's questions and I may have a couple and then we'll
25 have him come back tomorrow for Commissioner Gaw's questions.

1 And after we're finished with him tonight, we will break until
2 one o'clock tomorrow. So can we have Mr. Smith back on the
3 stand, please?

4 Thank you, Mr. Smith. You were previously
5 sworn and your exhibits have already been admitted so you can
6 go ahead and sit down. I'll just remind you that you're still
7 under oath.

8 THE WITNESS: Okay.

9 JUDGE DIPPELL: And Commissioner Clayton.

10 COMMISSIONER CLAYTON: Thank you, Judge.

11 GARY SMITH testified as follows:

12 QUESTIONS BY COMMISSIONER CLAYTON:

13 Q. Mr. Smith, good evening. We'll try to get out
14 of here in short order. I won't keep you too long.

15 What is the flag that's on your lapel?

16 A. This is a little company logo, Atmos Energy
17 and the American flag.

18 Q. American flag. Good. Good. I couldn't tell
19 when you walked by. I didn't know if it was a particular
20 state.

21 Where are you from?

22 A. I live in Kentucky.

23 Q. Kentucky. What part of Kentucky?

24 A. A little place called Owensboro right along
25 the Ohio River.

1 Q. That's a big river down there.

2 A. It is.

3 Q. Mr. Smith, you have basically adopted the rate
4 design -- or your company has adopted the rate design proposed
5 by Staff; is that correct?

6 A. Yes.

7 Q. Could you explain to me the difference between
8 the rate design that was proposed by Staff versus what Atmos
9 originally filed?

10 A. Well, Atmos originally filed for higher base
11 charges, among other things that were sponsored by
12 Ms. Childers, in addition to other service charge changes and
13 so forth. One -- one feature of our proposed rate design was
14 weather normalization of which I was the sponsor.

15 And then really as you stated, the Staff
16 proposal was for the delivery charge. And as the company
17 really considered the totality of their proposal, the zero
18 revenue increase, the rate design, the -- the weatherization,
19 etc., you know, then the company did more or less adopt their
20 rate design or recommend their rate design.

21 Q. In the original testimony filed by Atmos --
22 and if this goes to another witness, I apologize, just
23 identify what you know and what you don't know and we'll move
24 on. That's okay. No penalties for that.

25 What percentage of the delivery cost was

1 placed in a fixed rate in Atmos's original case?

2 A. You know, I don't have that information. That
3 was not something I sponsored. That would have probably been
4 Pat Childers.

5 Q. Well, I've already lost that opportunity. You
6 don't have an estimate or any idea off the top of your head?

7 A. I'm sorry, I do not. Because the rate
8 structures here in Missouri are somewhat complicated because
9 of the multiple rate divisions that we have.

10 Q. Okay. So basically your role was just weather
11 normalization; is that right?

12 A. That's correct.

13 Q. Okay. You didn't testify to change in the
14 revenue requirement at all in your testimony?

15 A. No, I did not.

16 Q. Okay.

17 A. You know, I should clarify that when the
18 delivery charge did come up in the Direct Testimony of the
19 Staff and so forth, then I did expand my -- my role into --
20 into that element of the rate design as well.

21 Q. Well, on the weather normalization was your
22 testimony basically in the form of an amount of revenue to
23 somehow normalize weather patterns and establish more
24 stability in the rate?

25 A. We proposed actually a mechanism that we

1 employ in several other jurisdictions which mathematically
2 protects the customer from variations in the margin collected
3 due to weather. And it -- and it obviously stabilizes that
4 feature for the company as well.

5 Q. Obviously the Staff's rate design would
6 stabilize it even more, wouldn't it?

7 A. Yes, it -- it does. It's also weather
8 mitigating in that for the two classes of customers that it --
9 that the delivery charge applies to, the residential class and
10 small general service class then, that would be a mitigation
11 completely of weather for those classes, but not for the
12 others.

13 Q. Okay. Are you aware of whether Atmos has any
14 conservation or energy efficiency programs in any of its other
15 jurisdictions, any of its other territories in other states?

16 A. You know, I can -- I can speak to Kentucky
17 where I live. There is a weatherization -- low-income
18 weatherization program that we employ. But it sounds somewhat
19 similar to the -- to the program that is proposed here.

20 Q. That's the only program. Nothing relating to
21 general conservation or energy efficiency that you're aware
22 of?

23 A. Not that I'm aware of. Not that I'm aware of.

24 Q. But you probably wouldn't know? It doesn't
25 sound like that's your area of expertise.

1 A. I'm pretty sure that if they exist, they would
2 be few. I'm not -- I think I would be aware of it if they
3 were prevailing throughout the company.

4 Q. Okay. If the Commission were to adopt the
5 rate design that shifts the cost of service into a fixed
6 charge, can you think of any reasons why the company would be
7 opposed to energy efficiency programs or conservation
8 programs?

9 A. Well, you know, I think that in that regard, I
10 guess what we would have to consider really is how those
11 programs would work and the -- the cost responsibilities of
12 those programs. I was able to arrive today so I've heard a
13 lot of the dialogue in regard to the other programs in
14 Missouri and so forth that have been discussed after lunch.

15 Of course, in our case, we really more or less
16 endorsed the Staff plan in aggregate of so many features,
17 mainly the revenue requirement and so forth. So one would
18 have to consider expanding those programs, you know, really
19 the economics on the shareholders probably is one of the first
20 things that we would want to look at. And then really because
21 of our --

22 Q. Well, let me phrase --

23 A. -- lack of experience --

24 Q. -- phrase the question this way. I mean, I
25 don't want to cut you off, but let me rephrase the question.

1 If you remove the aspect of financial contribution, whether it
2 be from shareholders versus ratepayers, if you remove that
3 item of discussion, let's just say we threw an amount in
4 rate-base. Would there be any opposition or problem of the
5 company for implementing some sort of energy efficiency or
6 conservation program?

7 A. I think the company is very open to discussing
8 that. I mean, we really do not want to see customers consume
9 any more than they need to consume.

10 Q. So if we remove the incentive to sell the gas
11 and you're making your money on the fixed charge, you don't
12 have weather as a component anymore and you eliminate the
13 whole need for creating demand. That would be an instance of
14 where conservation, energy efficiency would be in line with
15 goals of the company. Correct?

16 A. Absolutely.

17 Q. Now, from your limited role -- and I'm
18 probably going to go down a path where you're not the right
19 witness to ask, and I let Ms. Childers off the hook without
20 laying into her more this morning.

21 But what would it take to instigate
22 discussions about energy efficiency and conservation programs
23 if this type of rate design were utilized?

24 A. Well, I think the company would be willing to
25 sit down with the interested parties to discuss a program. We

1 are interested in the economics of such programs where -- it's
2 interesting because what I was going to state, as you
3 clarified, is, you know, with -- with our little experience at
4 such programs, we just want to make sure that the value of
5 such programs hits the right customers.

6 And often what you have, regardless of who the
7 payor is, whether it appears to be the shareholder or the
8 ratepayer, you know, sometimes the program cost can really be
9 greater than the benefits derived from that program and that
10 would be something we would want to understand better.

11 Q. Where have you seen that occur? What
12 experience have you seen where the program costs exceeded the
13 benefits?

14 A. Well, you know, I can't say that -- I don't
15 want to extend beyond my expertise, but I've been involved in
16 discussions of such programs before. And I guess it's based
17 upon those discussions that I'm left with some concern that
18 that may be the case.

19 Q. In what jurisdictions have those conversations
20 occurred, do you know?

21 A. They've been multi-jurisdictional, that's why
22 it's hard. But I do know that California is often cited, not
23 by me but by others, in these discussions that seem to be more
24 familiar with the details, that it may be one of those type of
25 states.

1 Of course, I believe that it would be pointed
2 out that their drivers of cost, of energy costs and their
3 environmental concerns and their growth, I think there's a
4 number of factors that -- that -- that -- that although others
5 may view them as having crossed that line, maybe for their
6 case it's appropriate. I'm not trying to judge that. But I'm
7 just saying it would be difficult to take their circumstances
8 and overlay them on ours.

9 Q. Do you all have territories in California?

10 A. We do not.

11 Q. You do not. Atmos is the largest natural
12 gas-only utility in the United States; is that correct?

13 A. That is -- yes, that's correct.

14 Q. And you are not aware of any -- you personally
15 are not aware of any existing energy efficiency or
16 conservation programs that are done by Atmos anywhere in any
17 of its territories?

18 A. No, I am not.

19 Q. Okay. And you cannot testify as to any
20 particular state that you would see as a shining example of an
21 effective and worthwhile energy efficiency or conservation
22 program?

23 A. That's true. I would not be able to do that.

24 COMMISSIONER CLAYTON: Thank you very much.

25 JUDGE DIPPELL: Thank you.

1 QUESTIONS BY JUDGE DIPPELL:

2 Q. I just had a couple of questions, Mr. Smith,
3 really quick. In your testimony, in your Direct Testimony at
4 page 12 you testified about -- when you were testifying about
5 the weather normalization, you were saying that there
6 basically wouldn't be any additional cost to administer that
7 or let me make sure -- is that what you said? Is that what
8 you said?

9 A. Which line number?

10 Q. I'm looking at line No. 11 -- starting at line
11 No. 11.

12 A. That -- yes, we're saying that there's no --
13 computer programs or data collection systems would have to be
14 developed.

15 Q. Right. With regard to the Commission -- or
16 the Staff's delivery charge proposal, do you know if there
17 would be any additional costs with that?

18 A. There would not be, no.

19 JUDGE DIPPELL: Okay. And that is actually my
20 only question. So with that then, we will go ahead and
21 adjourn for the evening. I'll ask you to remain -- to come
22 back tomorrow for additional Commissioner questions.

23 MR. FISCHER: Judge, there was one question
24 from Gary -- from Mr. Smith's earlier testimony that he did
25 not have information readily available for related to -- I

1 think a question both from Staff counsel and Commissioner
2 Applying related to low-income annual usage of typical
3 customers.

4 And we have an exhibit that the parties have
5 seen now, but would it be appropriate to deal with that
6 tonight?

7 JUDGE DIPPELL: Yes. Yes.

8 REDIRECT EXAMINATION BY MR. FISCHER:

9 Q. Okay. Mr. Smith, do you recall a question
10 from I think Mr. Berlin regarding LIEAP customers and how
11 their annual usage compared to other typical customers?

12 A. Yes, I do.

13 Q. Have you caused to be prepared an exhibit
14 which would answer that question?

15 A. Yes, I have

16 MR. FISCHER: Judge, I'd ask -- I'm not sure.
17 Did we mark this earlier? We may have marked it already.
18 It's the FY 2005 data is what it was titled.

19 JUDGE DIPPELL: Yes.

20 MR. BERLIN: Exhibit 19.

21 MR. FISCHER: Exhibit 19?

22 JUDGE DIPPELL: We marked it as Exhibit 19.

23 BY MR. FISCHER:

24 Q. Mr. Smith, do you have Exhibit 19 in front of
25 you?

1 A. Yes, I do.

2 Q. Was this exhibit prepared by you or under your
3 direction?

4 A. Yes, it was.

5 Q. And does the information contained herein, is
6 it accurate to the best of your knowledge and belief?

7 A. Yes, it is.

8 MR. FISCHER: Judge, I'd move for the
9 admission of Exhibit 19 in answer to those questions.

10 JUDGE DIPPELL: Would there be any objection
11 to Exhibit 19?

12 MR. POSTON: Yes, your Honor. We'd object to
13 this exhibit. We have had no opportunity to verify the
14 numbers in this exhibit or the underlying data. And these
15 numbers did not appear in any of the pre-filed testimony and
16 for these reasons we object. I'm sorry. Just I guess the
17 LIEAP customer use data.

18 MR. BERLIN: Judge, I'd like to weigh in on
19 that.

20 JUDGE DIPPELL: Yes, Mr. Berlin.

21 MR. BERLIN: Under the direction of
22 Commissioner Appling -- and perhaps he made it a rhetorical
23 comment, but he had expressed great desire to understand the
24 low-income impact of Staff's rate design, the same rate design
25 adopted by the company.

1 In going back last week, I had asked Mr. Smith
2 a question regarding low-income customers and their annual
3 consumption of gas as it relates to the annual average
4 customer consumption of gas. At that time he had indicated
5 that -- and this goes back last week -- that Mr. Ellis would
6 be better able to answer that question.

7 And I believe that since then, the company has
8 been able to respond to that question. It was one that I
9 asked and I know one that Commissioner Appling has a great
10 interest in. And I believe it to be highly relevant to the
11 rate design question and certainly relevant by way of
12 Ms. Meisenheimer's Rebuttal Testimony which contains results
13 of her study.

14 MR. POSTON: Your Honor, I have not objected
15 to relevancy. The data that this purports to show could be
16 relevant. That's not what I'm saying. I'm saying we haven't
17 had an opportunity to look at it and verify it and so we don't
18 know if these numbers are accurate.

19 MR. BERLIN: Okay. This information is
20 relevant in the sense that it is probative of the effect that
21 Staff's rate design has on low-income customers. The company
22 has prepared information or had information available, but I
23 was unable to cross Mr. Ellis last week on this.

24 JUDGE DIPPELL: Okay. I'm going to take the
25 easy way out and reserve my ruling until tomorrow. It's too

1 late to think too hard at this point so we're going to go
2 ahead I believe and adjourn until one o'clock tomorrow. Thank
3 you. We can go off the record.

4 WHEREUPON, the hearing was adjourned until
5 December 5, 2006 at 1:00 p.m.

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