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Witness: Wilbon L. Cooper
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d/b/a AmerenUE
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MISSOURI PUBLIC SERVICE COMMISSION

LACLEDE GAS COMPANY

CASE NO. GR-2001-629

Missouri Public
Service Commission

DIRECT TESTIMONY

OF

WILBON L. COOPER

St. Louis, Missouri

MISSOURI PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

In the Matter of Laclede Gas Company's Tariff)
to Revise Natural Gas Rate Schedules.) Case No. GR-2001-629

AFFIDAVIT OF WILBON L. COOPER

STATE OF MISSOURI)
) SS
CITY OF ST. LOUIS)

Wilbon L. Cooper, being first duly sworn on his oath, states:

1. My name is Wilbon L. Cooper. I work in the City of St. Louis, Missouri, and I am a Supervising Engineer in the Rate Engineering Department of Ameren Services Company.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony consisting of pages 1 through 7, including Schedules 1-2, all of which testimony has been prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. GR-2001-629 on behalf of Union Electric Company.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

Wilbon L. Cooper

Subscribed and sworn to before me this 15th day of October, 2001.

Debby Anzalone
Notary Public

DEBBY ANZALONE
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: April 18, 2002

1 **DIRECT TESTIMONY**
2 **OF**
3 **WILBON L. COOPER**
4 **LACLEDE GAS COMPANY**
5 **CASE NO. GR-2001-629**
6

7 **Q. Please state your name and business address.**

8 A. My name is Wilbon L. Cooper. My business address is 1901 Chouteau Avenue,
9 St. Louis, Missouri 63103.
10

11 **Q. Please state your occupation and by whom you are employed.**

12 A. I am employed by Ameren Services Company as a Supervising Engineer in the
13 Rate Engineering Department of its Corporate Planning Function.
14

15 **Q. Please describe Ameren Services Company.**

16 A. Ameren Services is a subsidiary of Ameren Corporation. Ameren Services
17 provides various administrative and technical services for Union Electric Company (Company or
18 AmerenUE) and Central Illinois Public Service Company (AmerenCIPS), the utility operating
19 companies of Ameren Corporation, doing business as AmerenUE and AmerenCIPS,
20 respectively.
21

22 **Q. Please summarize your educational background, work experience, and**
23 **current duties and responsibilities.**

Direct Testimony of
Wilbon L. Cooper

A. This information is summarized in Schedule 1 of my testimony.

Q. Have you previously testified before any regulatory commissions?

A. Yes, I have previously testified in numerous cases before the Missouri Public Service Commission, the Illinois Commerce Commission, and the Iowa State Utilities Board on behalf of Union Electric Company, during my more than 21 years of employment in the utility industry.

Q. What is the purpose of your Direct Testimony in this proceeding?

A. My Direct Testimony in this case will address Laclede Gas Company's (Laclede) proposed rate design and allocations of cost for its Residential General Service (RS) and Commercial and Industrial General Service (GS) Rates.

Q. Why is AmerenUE interested in Laclede's rate design?

A. A significant portion of AmerenUE's electric service area and Laclede's gas service area overlap, resulting in competition between the companies for providing various energy services for such uses as space and water heating, cooking and air conditioning to customers within these overlapping areas. Such competition does in fact exist, as evidenced by Laclede's active participation in all of AmerenUE's electric rate and rate design cases for more than the past 15 years. If Laclede's rates for its residential and small commercial and industrial customers are set below its costs of providing such services, AmerenUE's ability to compete within these consumer energy sectors will be detrimentally affected. AmerenUE's basic position is that the rates for these services should reflect, on a seasonally differentiated basis, the costs of

Direct Testimony of
Wilbon L. Cooper

providing such services, so that customers installing appliances have the appropriate information to decide whether they should use gas or electric service.

Q. What are the advantages of a utility having appropriate seasonal rate differentials incorporated into its retail rate structure?

A. Where the magnitude of a utility's system load varies significantly between various seasons of the year, as does Laclede's, sufficient justification generally exists for seasonal rate differentials to reflect the differences between the utility's cost of providing service during its peak and off-peak seasons. The advantages of employing cost based seasonal differentials can generally be categorized into the three areas of 1) customer equity, 2) customer information, and 3) customer conservation.

Q. Beginning with the first of these advantages, why would seasonal rate differentials be more equitable for customers?

A. Seasonal rates will appropriately track the cost differential between peak season and off-peak season service. Customers taking a major portion of their service during the peak season, as opposed to customers with a lesser portion of peak usage, generally impose higher costs on the utility and, thus, should pay a higher annualized unit cost for such service. Cost based seasonal rates insure that such customers will in fact pay higher costs. Such a result is more fair and equitable to both types of customers than average rates or non-cost based seasonal differentials, as both customer types are paying rates which reflect the cost of the service being provided by the utility.

Q. With respect to the second advantage of appropriate seasonal rate differentials, how are such rate provisions more informative to customers?

A. By providing more correct reflection of the cost of the service being provided, seasonal rates provide information that is of benefit to customers in their decisions regarding the purchase of major energy consuming appliances. If the cost of the service being provided is higher in the winter and an appropriate cost based rate is charged for such service, customers will be more apt to utilize such information in the purchase of more efficient appliances in order to lower their overall operating costs during such peak periods.

Q. Finally, with regard to the third advantage of appropriate seasonal rate differentials, how do such rate provisions encourage customer conservation?

A. Cost based seasonal rates will provide customers with the appropriate price signals which tell them when it is important and of greatest value to conserve usage, such as during Laclede's higher cost winter season. Conservation which results from such seasonal rate differentials may benefit both the customer and Laclede, as well as all of its other customers, if such conservation enables Laclede to lower its overall cost of serving its entire customer base.

Q. What is the relationship of Laclede's peak day system load to its minimum day system load?

A. Based upon information I previously reviewed from past Laclede cases, and more current information I received from Laclede in response to data requests in this case, Laclede's winter season peak day system load is approximately 8-10 times the magnitude of its minimum day system load during the summer season. This seasonal nature of Laclede's sales is depicted

Direct Testimony of
Wilbon L. Cooper

on Schedule 2 of my testimony that shows Laclede's peak day sendout by month for the years 1998 through 2000. As illustrated thereon, the volume of gas supplied by Laclede is much higher in the peak period months of November through April than in the off-peak months of May through October. A seasonal variation of this magnitude clearly indicates the need for seasonally differentiated rates.

Q. Did you review the Direct Testimony of Michael T. Cline in Laclede's current case?

A. Yes, I did. Mr. Cline, in his direct testimony, discusses the methodology used by Laclede to produce the additional revenues requested by Laclede. He indicates that the proposed \$39.8 million revenue increase was allocated to each individual rate schedule by multiplying the non-gas revenues in each rate schedule by a uniform percentage. Such non-gas revenues represent that portion of Laclede's revenues which recover Laclede's cost of service, other than the cost of purchased gas.

Q. Did Mr. Cline discuss the development of charges for each of Laclede's rate schedules after the allocation of the rate increase?

A. Yes, Mr. Cline indicated that the Company increased its customer charges and then spread the remainder of the increase to each customer class through uniform increases in its commodity charges, as well as through increases in demand or reservation charges, where applicable.

Q. Did Laclede submit a class cost of service study as part of its Direct Testimony in this case?

Direct Testimony of
Wilbon L. Cooper

A. No.

Q. Do Laclede's class revenue requirements and rate design proposals in this case reflect cost causation and equitable cost recovery principles?

A. Laclede's use of existing "margin" or non-gas revenues to allocate its revenue requirement to the classes, its increase of customer charges, its uniform increase to commodity charges, and its increases in demand or reservation charges do not necessarily reflect cost causation and equitable cost recovery principles. As there was no cost of service study submitted as part of Laclede's direct filing, one cannot determine whether cost causation and equitable cost recovery principles have been reflected in this case.

Q. Has AmerenUE performed a class cost of service study utilizing Laclede's cost, expense, and customer load data filed in this case?

A. No. Due to time constraints, AmerenUE has not performed such an analysis in this case. However, AmerenUE has evaluated cost of service studies performed by Laclede in its previous rate cases. The results of these analyses have consistently supported seasonal rate differentials for Laclede's Residential and Small Commercial and Industrial rate classes.

Q. Is AmerenUE proposing any change in Laclede's proposed seasonal rate differentials for its Residential and Small Commercial and Industrial rate classes?

A. No. AmerenUE is well aware of the Commission's recent concerns with the extreme volatility of winter gas bills and does not wish to exacerbate this problem by increasing the seasonal differentials in this case. However, AmerenUE continues to support and

· Direct Testimony of
· Wilbon L. Cooper

1 recommend seasonal rate differentials for Laclede. As a result, for purposes of this case, Ameren
2 supports Laclede's proposed rate design.

3

4 **Q. Does this conclude your testimony?**

5

6 A. Yes, it does.

7

1 QUALIFICATIONS

2
3 My name is Wilbon L. Cooper and I reside in St. Louis, Missouri. My educational
4 background consists of a Bachelor of Science Degree in Electrical Engineering (BSEE) from
5 the University of Missouri-Rolla.
6

7 I was employed as an Assistant Engineer in the Rate Engineering Department of
8 Union Electric in June 1980. I am currently a Supervising Engineer - Rate Analysis, in the
9 Rate Engineering Department of Corporate Planning. In this position, I am responsible for
10 meeting the analytical requirements of the Company's retail and wholesale electric rates,
11 including load research, and various cost of service and rate design studies, as assigned.
12

13 I have previously submitted testimony before the regulatory commissions of Illinois,
14 Missouri, and Iowa.
15

LACLEDE GAS COMPANY

PEAK DAY SENDOUTS

<u>MONTH</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
JANUARY	768,441	939,453	825,809
FEBRUARY	606,654	624,580	680,149
MARCH	863,682	633,295	544,578
APRIL	383,614	443,009	376,942
MAY	177,876	167,281	138,972
JUNE	144,843	127,630	130,853
JULY	112,098	111,963	112,915
AUGUST	120,235	112,670	113,556
SEPTEMBER	120,280	147,981	220,217
OCTOBER	274,428	318,271	358,745
NOVEMBER	455,506	536,515	698,877
DECEMBER	860,833	768,234	962,904

