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**Missouri Public
Service Commission**

Exhibit No.:

Issue: Connection Tariff,
Miscellaneous Tariff
Changes; Purchased Gas
Adjustment Tariff Language
for Off-System Sales

Witness: Thomas M. Imhoff, CPA

Sponsoring Party: MoPSC Staff

Type of Exhibit: Direct Testimony

Case No.: GR-2001-629

Date Testimony Prepared: October 11, 2001

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

THOMAS M. IMHOFF, CPA

LACLEDE GAS COMPANY

CASE NO. GR-2001-629

*Jefferson City, Missouri
October 2001*

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DIRECT TESTIMONY
OF
THOMAS M. IMHOFF
LACLEDE GAS COMPANY
CASE NO. GR-2001-629

Q. Please state your name and business address.

A. Thomas M. Imhoff, P.O. Box 360, Jefferson City, Missouri 65102.

Q. By whom are you employed and in what capacity?

A. I am a Rate & Tariff Examination Supervisor with the Missouri Public Service Commission (Commission).

Q. Please describe your educational background.

A. I attended Southwest Missouri State University in Springfield, Missouri, where I received a Bachelor of Science degree in Business Administration, with a major in Accounting, in May 1981. In May 1987, I successfully completed the Uniform Certified Public Accountant (CPA) examination and subsequently received the CPA certificate. I am currently licensed as a CPA in the State of Missouri.

Q. What has been the nature of your duties with the Commission?

A. From October 1981 to December 1997, I worked in the Accounting Department of the Commission, where my duties consisted of directing and assisting with various audits and examinations of the books and records of public utilities operating within the State of Missouri under the jurisdiction of the Commission. On January 5, 1998, I assumed the position of Regulatory Auditor IV in the Gas Tariffs/Rate Design Department, where my duties consisted of analyzing applications, reviewing tariffs and making

1 recommendations based upon those evaluations. On August 9, 2001, I assumed the position
2 of Rate & Tariff Examination Supervisor in the Energy Tariffs/Rate Design Department
3 (Department), where my duties consist of directing Commission Staff (Staff) within the
4 Department, analyzing applications, reviewing tariffs, and making recommendations based
5 upon my evaluations and the evaluations performed by Staff within the Department.

6 Q. Have you previously filed testimony before this Commission?

7 A. Yes. A list of cases in which I have filed testimony before this Commission is
8 attached as Schedule 1 to my direct testimony.

9 Q. With reference to Case No. GR-2001-629, have you made an examination and
10 study of the material filed by Laclede Gas Company (Laclede or Company) relating to its
11 proposed increase in gas rates?

12 A. Yes, I have.

13 Q. Are you sponsoring any adjustments?

14 A. Yes. I am sponsoring Staff Adjustment S-6.3.

15 Q. What is the purpose of your direct testimony?

16 A. The purpose of my direct testimony is to present the Staff's position relating
17 to: the connection charges, the inclusion of on-site power generation in Laclede's
18 Commercial and Industrial Seasonal Air Conditioning rate (Tariff Sheet No. 4-a) and a
19 clarification of Laclede's obligation regarding the installation of remote reading devices
20 (Tariff Sheet No. R-11). I am also sponsoring the purchased gas adjustment (PGA) tariff
21 language pertaining to off-system sales.

22 **CONNECTION TARIFF PROPOSAL**

23 Q. Has Laclede proposed any new tariff charges?

Direct Testimony of
Thomas M. Imhoff

1 A. Yes. Laclede is proposing to institute a new service connection fee of \$36 and
2 a \$54 premium service connection fee charge.

3 Q. Please describe the difference between a service connection charge and a
4 premium service connection charge?

5 A. The service connection charge relates to connections performed by Laclede
6 during regular business hours, and the premium connection service charge relates to
7 connections performed by Laclede during non-business hours.

8 Q. Does Staff agree with Laclede's proposed connection charges?

9 A. Staff agrees with the \$36 connection charge, but opposes the \$54 premium
10 charge.

11 Q. Why does Staff agree with Laclede's proposed \$36 connection fee?

12 A. After review and consideration of Laclede's proposed \$36 tariff, Staff does
13 not object to this charge because it corresponds to Laclede's costs. It is important that this
14 miscellaneous charge reflects Laclede's cost of performing this service. The individual
15 customers causing the Company to incur these expenses should be responsible for the
16 associated costs. Laclede provided Staff with information detailing the computation of the
17 proposed \$36 rate. This charge is based on a cost causation, per-job basis.

18 Q. Why does Staff disagree with Laclede's proposed \$54 premium connection
19 charge?

20 A. Laclede's response to Staff Data Request No. 4203 provided no information
21 detailing the total number of connections that would fall under the proposed \$54 premium
22 charge. Additionally, Laclede provided no support for this charge and failed to compute any

1 corresponding revenues relating to this premium charge in their filed case. Without such
2 documentation, Staff is unable to determine any justification for the \$54 premium charge.

3 **MISCELLANEOUS TARIFF CHARGES**

4 Q. What miscellaneous tariff changes are being proposed by Laclede?

5 A. Laclede is proposing to revise Tariff Sheet No. 4-a (Commercial and
6 Industrial Seasonal Air Conditioning) would include customers who use gas for on-site
7 power generation. Tariff Sheet R-11 would be revised to clarify Laclede's obligation
8 regarding the installation of remote reading devices.

9 Q. What is Staff's position relating to Laclede's proposed miscellaneous changes
10 to Tariff Sheet Nos. 4-a and R-11?

11 A. After careful review and consideration of Laclede's proposed changes, Staff
12 does not object to these miscellaneous changes. The inclusion of on-site power generation to
13 Tariff Sheet No. 4-a encourages additional throughput on Laclede's system during off-peak
14 periods, thereby reducing customers' per therm rates.

15 Laclede's response to Staff Data Request No. 4201 indicates the need for further
16 evaluation of and potential use of new remote reading technology, and the need to provide
17 Laclede the flexibility to determine the circumstances that would require installation of
18 remote reading devices. Staff supports this proposal because the move to remote meter
19 reading technology should be used consistently throughout Laclede's system. The current
20 tariff language permits the use of different meter reading technologies that may not be
21 compatible and may lead to higher costs. Therefore, Staff does not oppose this change.

**PURCHASED GAS ADJUSTMENT (PGA) TARIFF LANGUAGE FOR OFF-SYSTEM
SALES**

Q. Is Staff proposing to implement clarifying tariff language relating to off-system sales?

A. Yes.

Q. Why is Staff proposing to implement clarifying off-system sales tariff language in Laclede's PGA?

A. This is being done to explicitly describe the treatment of Laclede's off-system sales revenues in its PGA Clause. This is necessary due to the Commission's decision in Case No. GT-2001-329 to discontinue Laclede's gas supply incentive plan. The inclusion of this language will specifically define how off-system sales revenues are to be treated and accounted for. In his direct testimony in this case, Staff witness David M. Sommerer of the Commission's Procurement Analysis Department will explain and provide the rationale for the Staff's proposed inclusion of off-system sales in the calculation of Laclede's PGA tariffs.

Q. What tariff language is Staff proposing?

A. Staff is proposing two tariff language changes. The first is to add a sentence at the end of tariff sheet No. 15 paragraph (A) that reads:

The total Purchased Gas Costs shall be credited for all profits from off-system sales transactions.

The second change is to modify the language on tariff sheet No. 21 paragraph (5) to read:

The Deferred Purchased Gas Cost Account shall be credited for those revenues received by the Company for the release of pipeline transmission or leased storage capacity to another party. Such revenues will be allocated to firm sales, including Large Volume Transportation and Sales Service (LVTSS), and firm transportation customers,

1 consistent with the allocation of capacity reservation
2 charges set forth in Section A.2.b of Laclede's tariff. The
3 Deferred Purchased Gas Cost Account shall be credited for
4 those revenues received by the Company for all off-system
5 sales. For the purpose of allocating these revenues to the
6 Deferred Purchased Gas Cost Accounts, 50% of the
7 foregoing net revenues shall be deemed gas supply related
8 and allocable to firm sales customers only and 50% shall be
9 deemed transportation capacity related and allocable to
10 both firm sales customers and firm transportation
11 customers. This allocation is consistent with the allocation
12 of capacity reservation charges set forth in Section A.2.b.,
13 unless the net revenues from off-system sales do not include
14 the provision of transportation service, in which case 100%
15 of such net revenues shall be allocable to firm sales
16 customers.

17 Q. Does Staff propose any additional tariff language pertaining to off-system
18 sales?

19 A. Yes. Schedule 2 to this testimony provides the additional tariff language
20 needed for off-system sales as outlined in Staff witness Sommerer's testimony.

21 Q. Does this conclude your direct testimony?

22 A. Yes it does.

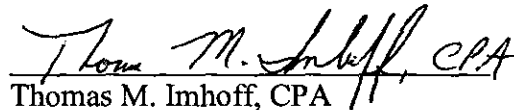
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In The Matter of Laclede Gas Company's Tariff)
To Revise Natural Gas Rates) Case No. GR-2001-629

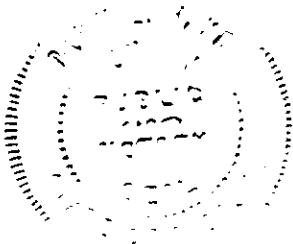
AFFIDAVIT OF THOMAS M. IMHOFF, CPA

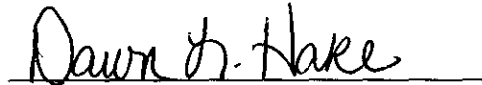
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Thomas M. Imhoff, being of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 6 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


Thomas M. Imhoff, CPA

Subscribed and sworn to before me this 9th day of October 2001.





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

LACLEDE GAS COMPANY
CASE NO. GR-2001-629

Summary of Cases in which prepared testimony was presented by:
THOMAS M. IMHOFF

<u>Company Name</u>	<u>Case No.</u>
Terre-Du-Lac Utilities	SR-82-69
Terre-Du-Lac Utilities	WR-82-70
Bowling Green Gas Company	GR-82-104
Atlas Mobilfone Inc.	TR-82-123
Missouri Edison Company	GR-82-197
Missouri Edison Company	ER-82-198
Great River Gas Company	GR-82-235
Citizens Electric Company	ER-83-61
General Telephone Company of the Midwest	TR-83-164
Missouri Telephone Company	TR-83-334
Mobilpage Inc.	TR-83-350
Union Electric Company	ER-84-168
Missouri-American Water Company	WR-85-16
Great River Gas Company	GR-85-136
Grand River Mutual Telephone Company	TR-85-242
ALLTEL Missouri, Inc.	TR-86-14
Continental Telephone Company	TR-86-55
General Telephone Company of the Midwest	TC-87-57
St. Joseph Light & Power Company	GR-88-115
St. Joseph Light & Power Company	HR-88-116
Camelot Utilities, Inc.	WA-89-1
GTE North Incorporated	TR-89-182
The Empire District Electric Company	ER-90-138
Capital Utilities, Inc.	SA-90-224
St. Joseph Light & Power Company	EA-90-252
Kansas City Power & Light Company	EA-90-252
Sho-Me Power Corporation	ER-91-298
St. Joseph Light & Power Company	EC-92-214
St. Joseph Light & Power Company	ER-93-41
St. Joseph Light & Power Company	GR-93-42
Citizens Telephone Company	TR-93-268
The Empire District Electric Company	ER-94-174
Missouri-American Water Company	WR-95-205
Missouri-American Water Company	SR-95-206
Union Electric Company	EM-96-149
The Empire District Electric Company	ER-97-81
Missouri Gas Energy	GR-98-140
Laclede Gas Company	GR-98-374
Laclede Gas Company	GR-99-315
Atmos Energy Corporation	GM-2000-312
Ameren UE	GR-2000-512
Missouri Gas Energy	GR-2001-292
Laclede Gas Company	GT-2001-329

OFF-SYSTEM SALES

The Company shall credit its Deferred Purchased Gas Cost Accounts for 100% of off-system sales net revenues as such revenues are defined and accounted for below.

Definitions

Off-system marketing Sales (OS-Sales) are herein defined as any company sale of gas, or gas bundled with pipeline transportation, made to parties other than the Company's transportation customers or their agents. OS-Sales shall not be made where ultimate consumption is for consumers who receive regular local distribution company ("LDC") gas sales or LDC transportation service from the Company. OS-Sales shall not be made to any affiliate of the Company and none of the provisions of this Section D.l.d. shall apply to any company non-regulated marketing affiliate.

Off-system Sale Revenues (OS-Revenues) are the actual revenues received by the Company from an OS-Sale.

Cost of Gas Supply (CGS) is the commodity cost related to the purchase of gas supply, exclusive of transportation costs.

Off-system Cost of Gas Supply (OS-CGS) is the commodity cost related to the purchase of gas supply, exclusive of transportation costs, for a proposed OS-Sale. The OS-CGS is equal to the highest CGS from the CGS-Schedule (as defined below) associated with the quantity of actual OS-Sales for the pipeline on which the sale is made. The total OS-CGS to be booked as a cost to the OS-Sales Accounts shall be equal to the sum of the multiplication of the gas cost of each individual transaction by the associated quantities actually sold as shown on the CGS-Schedule.

Off-system Cost of Transportation (OS-CT) is the incremental cost of transportation related to the delivery of the gas supply for an OS-Sale to the point of delivery. The OS-COT shall include all commodity related transportation costs, including fuel, associated with the OS-Sale. The OS-COT shall not include non-commodity related LDC system supply transportation costs.

Off-system Net Revenue (OS-Net-Revenue) is equal to OS-Revenues minus OS-CGS and OS-COT.

Accounting

The Company shall maintain separate revenue and expense accounts to record its OS-Sales transactions, which accounts shall be audited and subject to modification by the Commission at the same time the Company's other gas costs for system supply purposes are reviewed pursuant to the ACA process. Each OS-Sales transaction shall be accounted for and analyzed separately.

Record Keeping

For the first day of each month and for each day where a subsequent change in the cost of gas supplies or in the cost of delivery thereafter occurs, the Company shall construct and retain a CGS-Schedule. This CGS-Schedule shall provide contract volumes' scheduled volumes, available volumes, unit commodity cost of gas, and unit transportation costs associated with the delivery of gas to the Company's city gate for all of the Company's gas supply contracts. The CGS-Schedule will also provide information relating to any OS-Sales. This information will include the location of sale, volume sold, sales price, total revenue from the sale, the unit commodity cost of gas used for the sale, unit transportation costs to point of sale, any other costs or cost reductions associated with the sale (e.g. avoided penalty costs) and the total costs associated with the sale.

To the extent that the CGS-Schedule costs associated with the OS-Sales are different than the costs accrued for each transaction, the Company will prepare and retain a complete explanation and related records regarding such difference. If the CGS associated with the volumes of gas distributed to Company's system sales customers is at a higher cost than the OS-CGS for the OS-Sale, the Company shall document all reasons for each such occurrence and shall retain the documentation explaining such costing.

For purposes of allocation to the Deferred Purchased Gas Cost Accounts, 50% of the foregoing net revenues shall be deemed to be gas supply related and allocable to firm sales customers only and 50% shall be deemed to be transportation capacity related and allocable to both firm sales customers and firm transportation customers, consistent with the allocation of capacity reservation charges set forth in Section A.2.b., unless the net revenues from OS-Sales do not include the provision of transportation service, in which case 100% of such net revenues shall be allocable to firm sales customers.

Limitation On Sales

The Company's OS-Sales shall be made on an as-available basis. The term of each sale shall not exceed one month.

The Company shall make no individual OS-Sales where a negative margin results.

If the Company uses its transportation agreement to deliver the Off-system Supply (OS-Supply), the Company shall allocate a reasonable amount of capacity release to the transaction to help mitigate the underlying reservation charges. The amount so allocated shall be no less than the current market rate for capacity release. The Company shall document this analysis for each transaction. No OS-Sales shall be made at a margin less than capacity release revenue. The Company shall evaluate and document the decision to make an off-system sale versus a capacity release with the goal of maximizing the total delivered gas cost (including transportation) savings to the on-system customers.