

Exhibit No.:  
Issues: Class Cost of Service  
Witness: Thomas M. Imhoff  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Surrebuttal Testimony  
Case No.: GR-2006-0387  
Date Testimony Prepared: November 13, 2006

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**SURREBUTTAL TESTIMONY**

**OF**

**THOMAS M. IMHOFF**

**ATMOS ENERGY CORPORATION**

**CASE NO. GR-2006-0387**

**Jefferson City, Missouri  
November 2006**

**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

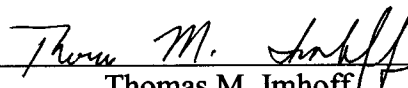
In the Matter of Atmos Energy )  
Corporation's Tariff Revision Designed to )  
Consolidate Rates and Implement a )  
General Rate Increase for Natural Gas )  
Service in the Missouri Service Area of )  
the Company. )

Case No. GR-2006-0387

**AFFIDAVIT OF THOMAS M. IMHOFF**

STATE OF MISSOURI     )  
                                      ) ss  
COUNTY OF COLE     )

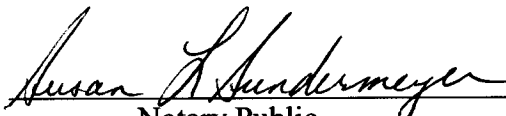
Thomas M. Imhoff, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 5 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

  
Thomas M. Imhoff

Subscribed and sworn to before me this 9<sup>th</sup> day of November, 2006.



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

  
Notary Public

My commission expires 9-21-10

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**THOMAS M. IMHOFF**  
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**SURREBUTTAL TESTIMONY**  
**OF**  
**THOMAS M. IMHOFF**  
**ATMOS ENERGY CORPORATION**  
**CASE NO. GR-2006-0387**

Q. Please state your name and business address.

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

Q. Are you the same Thomas M. Imhoff who filed direct and rebuttal testimony in this case?

A. Yes, I am.

Q. What is the nature of your Surrebuttal Testimony?

A. My Surrebuttal Testimony addresses the Office of the Public Counsel (OPC) witness Barbara A. Meisenheimer's rebuttal testimony concerning the Purchased Gas Adjustment (PGA) rate district consolidation and Noranda witness Donald Johnstone concerning Class Cost of Service (CCOS) Study.

**PGA RATE CONSOLIDATION**

Q. What is your observation of OPC witness Meisenheimer's estimate of Neelyville's PGA rate in comparison to the SEMO district's PGA rate?

A. OPC witness Meisenheimer did not take into consideration the new PGA rates recently approved by the Commission. The current cost of gas for Neelyville is \$1.0124 per one hundred cubic feet (Ccf) while SEMO's is \$1.011 per Ccf. This represents a net difference of \$0.0014 per Ccf difference. The current cost of gas for the Butler district is \$0.8788 per Ccf while the Greeley district is \$0.8479 per Ccf. This represents a net

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1 difference of \$0.0309 per Ccf difference. Staff's proposal simplifies and improves the PGA  
2 rate process. Staff's proposed consolidation reflects similar transportation rates and/or gas  
3 supplies into one district.

4 Q. Do you agree with OPC witness Meisenheimer's assessment that the "rates  
5 vary significantly?

6 A. No. As Staff has previously stated, the maximum rate differential between the  
7 various proposed PGA rate district consolidations would be the West Central district of  
8 \$0.0309 per Ccf. These changes will have an insignificant affect on a customer's bill.

9 **CCOS STUDY**

10 Q. Have you reviewed the testimony of Noranda witness Donald Johnstone?

11 A. Yes.

12 Q. On page 3, lines 8-10 of Mr. Johnstone's Rebuttal Testimony it states: "If an  
13 overall revenue increase were to be the result it would appear that the status quo need not  
14 change for Noranda." Do you agree with this statement?

15 A. Yes. Clearly, a review of the Rebuttal Testimony of both the Staff and Atmos  
16 show support for a zero overall revenue increase and no change in the revenue responsibility  
17 of each class. Therefore, Noranda's statement "that status quo need not change for Noranda"  
18 is a true statement.

19 Q. Starting on page 4, line 1 and continuing to page 8, line 7, Mr. Johnstone's  
20 Rebuttal testimony discusses the CCOS Study of the OPC. Do you believe this discussion is  
21 relevant given a overall zero revenue increase and no change in the revenue responsibility of  
22 each class?

1           A.     No. Given an overall zero revenue increase and no change in the revenue  
2 responsibility of each class, in my opinion, debating the specifics of a CCOS study is moot.  
3 The purpose of developing a CCOS study is to provide a starting point for determining issues  
4 like revenue responsibility of each class. Once this starting point is determined, other issues  
5 like rate impacts need to be considered to determine the revenue responsibility of each class.  
6 In this case, the agreement that the revenue responsibility of each class should not change  
7 makes a debate about the appropriate CCOS study an academic exercise that has no real  
8 value.

9           Q.     Starting on page 8, line 8 and ending on page 11, line 4, Mr. Johnstone  
10 discusses what he perceives to be the Staff's proposal that the interruptible rates be changed,  
11 including the Large Volume Service rate. Do you agree that Staff is proposing to change  
12 these rates?

13          A.     Staff is not proposing that rates such as the Large Volume Rate Schedule be  
14 abolished. Instead, Staff is proposing that the Large Volume Rate Schedule for the SEMO  
15 district remain unchanged. This is a rate that only one customer currently qualifies for,  
16 Noranda, and that customer is not served by this rate but is instead served by a special  
17 contract. Since no customer currently takes advantage of the Large Volume Service rate for  
18 the SEMO district, leaving the rate unchanged is only logical. Rates are typically set based  
19 on the customers that are currently using that rate. Attempting to design a rate for a customer  
20 that is served by a special contract that doesn't expire until January 1, 2014 is not logical.

21          Q.     On page 11, line 5 through page 12, line 10, Mr. Johnstone discusses changes  
22 he made to Staff's CCOS study. How would you characterize Mr. Johnstone's adjustments?

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Thomas M. Imhoff

1           A.     After reading this portion of his testimony, I reviewed the workpapers  
2 associated with Mr. Johnstone's Rebuttal testimony. I would characterize Mr. Johnstone's  
3 modifications in two parts: a) he used annual volumes to allocate transmission mains and b)  
4 he used annual volumes to allocate distribution mains but he assumed that the volumes for  
5 the Large Volume class are zero. Regarding the first adjustment, Staff does not advocate  
6 using volumes to allocate transmission mains and therefore I cannot support this adjustment.  
7 It appears Mr. Johnstone doesn't advocate using this allocator for transmission mains either  
8 when he states on page 11, line 19 through page 12, line 2: "One caveat is that the cost to  
9 Noranda will be overstated because a customer component of the mains is not incorporated  
10 and because my use of annual volumes for the allocation of the cost of transmission mains."

11           Regarding the second adjustment, Staff does not advocate using this Allocator for  
12 distribution mains. In addition, the assumption that volumes for the Large Volume class are  
13 zero is unreasonable and is not supported by Mr. Johnstone's own testimony. First, this class  
14 is made up of customers that are both firm and interruptible. To assume that all of the firm  
15 customers, with the exception of the ones in the LV class, would be allocated distribution  
16 mains costs is illogical. In addition, Mr. Johnstone recognizes that interruptible customers  
17 should pay some distribution mains costs when he states on page 5, lines 7-9 that "as a  
18 practical matter customers receiving the interruptible service should, nevertheless, make  
19 some contribution to the cost of the facilities used." Interestingly, Mr. Johnstone's  
20 modifications to OPC's CCOS study allocated distribution mains costs to all of the customers  
21 that make up Staff's Large Volume class with the exception of Noranda. By assuming the  
22 allocation to the Large Volume class is zero for transmission mains, Mr. Johnstone  
23 contradicted his own statement that some contribution should be made by customers using

1 the facilities and he contradicted the revisions that he made to OPC's CCOS study. Based on  
2 the issues I have raised regarding Mr. Johnstone's revisions to the Staff CCOS study for the  
3 SEMO district, I recommend that the revised study be ignored.

4 Q. Are there any other issues raised by Mr. Johnstone that you would like to  
5 address?

6 A. Yes. On page 5, lines 12-16, Mr. Johnstone states, "In 2006 there were two  
7 unusual near misses related to a tornado and a digging caused rupture. Consequently,  
8 Noranda has good reason to expect no more that interruptible service and continues to  
9 maintain a propane system as a backup." Staff is perplexed by these two examples. Instead  
10 of characterizing these two examples as interruptions, the Staff characterizes these as  
11 disruptions of service that could and do happen to both firm and interruptible customers. In  
12 Contract, the Staff characterizes interruptions as situations where the capacity on Atmos's  
13 system is inadequate to supply gas to all of Noranda's customers. Therefore, Atmos would  
14 request that interruptible customers such as Noranda would curtail their loads so that firm  
15 customers could continue to receive gas. Atmos's response to Staff's last Data Request 109  
16 indicates that one interruption did occur in the SEMO district in the last 5 years but that was  
17 in 2003 in Charleston, Missouri, which is located approximately 30 miles from Noranda,  
18 Noranda was not one of the customers interrupted. Since Staff has no knowledge of the  
19 alleged interruptions in 1996 or 2001 and given the unique definition of interruptions that  
20 Noranda seems to advocate, the Staff continues to believe that the response to DR 109 is  
21 accurate.

22 Q. Does this conclude your surrebuttal testimony?

23 A. Yes it does.