

Page 1982 STATE OF MISSOURI 1 2 PUBLIC SERVICE COMMISSION 3 4 5 6 TRANSCRIPT OF PROCEEDINGS 7 Hearing 8 9 10 July 1, 2004 Jefferson City, Missouri Volume 21 11 1213 14In the Matter of Missouri ) Gas Energy's Tariffs to ) Implement a General Rate ) No. GR-2004-0209 15Increase for Natural ) 16 Gas Service ) 17 18 MORRIS L. WOODRUFF, Presiding, SENIOR REGULATORY LAW JUDGE. 19 20 LINWARD "LIN" APPLING, COMMISSIONER. 21 22 23 **REPORTED BY:** 24 TARA SCHWAKE, CRR, CCR, RPR, CSR MIDWEST LITIGATION SERVICES 25

Hearing 7/1/2004

\_\_\_\_\_

Page 1983 1 **APPEARANCES:** 2 ROBERT J. HACK, Attorney at Law Missouri Gas Energy 3 3420 Broadway Kansas City, MO 64111 (816) 360-575 4 5 FOR: Missouri Gas Energy, a Division of Southern Union Company. 6 7 MAJOR CRAIG PAULSON, Attorney at Law AFLSA/ULT 8 139 Barnes Drive, Suite 1 Tyndall AFB, FL 32403 (850) 283-6350 9 10 FOR: Federal Executive Agencies. 11 DOUGLAS E. MICHEEL, Senior Public Counsel 200 Madison Street, Suite 650 12 P.O. Box 2230 Jefferson City, MO 65102-2230 13 (573) 751-4857 14 FOR: Office of the Public Counsel and the Public. 15 LERA SHEMWELL, Senior Counsel TIM SCHWARZ, Senior Counsel 16 200 Madison Street 17 P.O. Box 360 Jefferson City, MO 65102 (573) 751-3234 18 Staff of the Missouri Public 19 FOR: Service Commission. 20 STUART W. CONRAD, Attorney at Law 21 Finnegan, Conrad & Peterson 3100 Broadway 22 1209 Penntower Office Center Kansas City, Missouri 64111 23 (816) 753-1122 24 FOR: Midwest Gas Users Association. 25

-----

	Hearing 7/1/2004	
	Page 19	984
1	JEREMIAH FINNEGAN, Attorney at Law	
	Finnegan, Conrad & Peterson	
2	3100 Broadway	
	1209 Penntower Office Center	
3	Kansas City, Missouri 64111	
	(816) 753-1122	
4		
	FOR: Jackson County, UMKC and CMSU	•
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
11		

-

-----

,

\_\_\_\_

- --

-	Page 1985
1	PROCEEDINGS
2	JUDGE WOODRUFF: Let's go ahead and
3	come to order. Welcome back to GR-2004-0209.
4	We're moving on to a new issue today on class cost
5	of service and rate design.
6	Before the I start with the mini
7	openings, I wanted to inquire about the partial
8	non-unanimous stipulation that was filed two days
9	ago and then amended yesterday. Has there been
10	any discussion among the parties as to whether or
11	not there will be any objections to this?
12	MR. HACK: I can't report any
13	further discussions than I reported yesterday,
14	Judge.
15	MS. SHEMWELL: Perhaps right after
16	break, Mr. Franson could he's the one working
17	on that. I'm not aware of any further
18	discussions.
19	JUDGE WOODRUFF: All right.
20	MR. CONRAD: We haven't had any
21	any discussions about you know, we saw
22	forgive me, I think it was either Thursday or
23	Friday on those preliminary draft being circulated
24	on some of the issues, and that's the last
25	discussion that I had.

· \_ \_ · · · · \_ \_

1	Page 1986
1	I had raised an issue with Mr. Hack,
2	and my expectation is based on that discussion
3	that may be able to be addressed when Mr. Noack is
4	on tomorrow.
5	JUDGE WOODRUFF: Okay.
6	MR. CONRAD: I haven't seen the
7	final thing and we haven't seen, as far as I know,
8	the whatever the amendment was.
9	JUDGE WOODRUFF: Okay. If possible,
10	I'd like to know before we finish with this issue
11	so that I know whether or not we need to start
12	moving forward with testimony on those issues.
13	Because we are rapidly running out of time, and
14	I'm sure nobody wants to be here in the evenings
15	next week or something to take care of all this.
16	MR. MICHEEL: Your Honor, I've
17	provided the court reporter with a copy of the
18	complete video deposition of Travis Allen that's
19	been marked as Exhibit 217. At this time I'd like
20	to move admission of Exhibit 217.
21	JUDGE WOODRUFF: 217 has been
22	offered into evidence. Are there any objections
23	to its receipt? Hearing none, it will be received
24	into evidence.
25	All right. Let's then move on
1	

www.midwestlitigation.com

Page 1987

1	MR. SCHWARZ: Judge? I have one
2	more preliminary matter. There is an issue
3	between the Staff and the Company on one side and
4	Public Counsel on the other, I believe, as to
5	miscellaneous charges.
6	It was our understanding that that
7	would be handled as part of rate design. Staff's
8	witness is Mr. Imhoff, he is not listed on that,
9	and with the I mean, I'd ask Public Counsel if
10	that's their under I mean, my understanding was
11	that it was going to be handled at this time. Mr.
12	Imhoff has not been offered previously, and would
13	be offered for cross examination on that.
14	JUDGE WOODRUFF: You want to put him
15	on after Mr. Beck?
16	MR. SCHWARZ: It would be better if
17	he could go this morning, if that's suitable with
18	the other parties. He's got prior commitments
19	this afternoon. It's not insurmountable, but it
20	would be preferable.
21	MR. MICHEEL: I have no problem with
22	that, Your Honor.
23	MR. CONRAD: Who was it?
24	MR. SCHWARZ: Tom Imhoff on the
25	miscellaneous charges, the connection fees and
1	

Page 1988 1 reconnection fees. MR. CONRAD: I don't think we would 2 3 have a problem. JUDGE WOODRUFF: You want to just 4 5 take him first? Or is -- Mr. Hack? 6 MR. HACK: That's fine with us. We 7 have no problems. 8 JUDGE WOODRUFF: Okay. We'll take 9 Mr. Imhoff first, then, get him out of the way. 10 MR. MICHEEL: Yeah. Whatever you 11 need. 12JUDGE WOODRUFF: All right. Well, 13 we'll start with mini openings, then, on the class 14cost of services issues, beginning with MGE. 15 MR. HACK: Good morning. We're here 16 today to try the class cost of service and rate 17 design issues. By way of background I'll try to 18 explain briefly the concepts we'll be exploring 19 today. 20 Class cost of service is the assignment of cost recovery as among or between 21 22 the customer classes, or interclass revenue 23 responsibility. In the case of MGE, there are 24 four customer classes. Residential, small general 25 service, large general service, and large volume

www.midwestlitigation.com

MIDWEST LITIGATION SERVICES Phone: 1.800.280.DEPO(3376)

Page 1989 1 service. 2 Three or four class cost of service 3 studies have been performed in this case. The results of these studies are diverse and can serve 4 5 as guides to the Commission as it resolves the 6 issue of class revenue responsibility. 7 Ultimately, however, the determination of class revenue responsibility 8 9 requires the exercise of judgment and discretion, 10 and MGE is confident the Commission will review 11 the evidence and use sound judgment in deciding 12 the class cost of service, class revenue 13 responsibility issue in this case. 14 Rate design, on the other hand, is 15 the assignment of cost recovery within customer 16 classes, or intraclass revenue responsibility. 17 While also guided by reference to cost studies, 18 rate design decisions also involve considerations 19 of impact, equity, and risk allocation in relation 20 to customers within each customer class and in 21 relation to the Company, in addition to other 22 policy considerations. 23 In MGE's view, the LGS and LVS rate 24design issues have largely been resolved by 25 modification to the Company's initial proposals as

Page 1990 1 explained in the rebuttal testimony of MGE Witness 2 Jay Cummings. Therefore, in our view again, the 3 significant rate design issues in this case 4 involve the residential and small general service 5 classes. 6 These issues can be categorized into 7 three distinct areas, although all three are 8 interrelated to some degree. These areas are 9 fixed monthly rate elements, volumetric rate 10 elements, and miscellaneous service charges. 11 Before discussing each of these 12 individual issues, though, I'll try to provide a 13 little historical background that MGE believes is very relevant to the Commission's decision on 14these issues in this case. 15 The evidence will show that for at 16 17 least the last five fiscal years, MGE's actual 18 residential average use per customer has 19 consistently fallen short of average use per 20 residential customer used in the rate setting 21 process. 22 If you'll look at the chart shown on 23 Jay Cummings' direct testimony, page 8, you can 24 see that the shortfalls have been significant, 25 ranging from a shortfall of 26 Ccfs, which is our

·---- ·

	Page 1991
1	billing unit per residential customer in the
2	supposedly cold period of FY '01, to a shortfall
3	of 227 Ccf per residential customer in FY 2000.
4	No party has disputed this analysis.
5	Perhaps most telling, no party has really even
6	mentioned this analysis in prepared testimony.
7	The evidence has shown that
8	approximately 85 percent of MGE's 500,000
9	customers are residential. Translating into
10	roughly 425,000 customers. The average shortfall
11	over that five year period amounts to 123 Ccf
12	billing units per residential customer per year.
13	Priced out at our current volumetric
14	rate element of approximately 11 cents per Ccf,
15	this translates into an average revenue average
16	shortfall of five and three-quarter million
17	dollars. Clearly, therefore, volumetric rates
18	have exposed MGE to significant revenue
19	shortfalls.
20	You may be asking, okay, how does
21	this information relate to the rate design issues
22	presented in this case? The evidence will clearly
23	establish, as shown, that MGE experiences
24	significant risk due to the high variability in
25	revenue streams associated with volumetric rate

ļ

i

İ

1	Page 1992 elements. However, despite this evidence, no
2	party other than MGE has offered any meaningful
3	solution to this problem.
4	
	MGE has proposed to address the
5	problem in three very concrete ways. One is to
6	increase the fixed monthly rate element by \$3.50
7	for the residential customer class.
8	Two is to implement a weather
9	mitigation form of rate design similar to one
10	already approved and in place for Laclede Gas
11	Company for the volumetric rate elements
12	applicable to the residential and small general
13	business classes.
14	Three, increased miscellaneous
15	charges, primarily connect and reconnect charges,
16	to cover the cost of providing those services.
17	Taken together, all of these
18	proposals would significantly improve the
19	reliability of MGE's revenue streams and enhance
20	the likelihood that MGE would actually be able to
21	achieve its Commission authorized return.
22	In response to the undisputed
23	evidence regarding revenue shortfalls experienced
24	by MGE due to heavy reliance on volumetric rate
25	elements, the Public Counsel has recommended that
1	

_	Page 1993
1	the entirety of whatever increase the Commission
2	authorized for residential customers in this case
3	be recovered by way of volumetric rate elements
4	with no provision for weather mitigation or
5	weather normalization.
6	If adopted, this Public Counsel
7	proposal would increase the percentage of
8	residential distribution revenues MGE recovers by
9	way of volumetric rates. That percentage
10	currently stands at approximately 45 percent
11	volumetric to 55 percent fixed. Obviously, MGE's
12	exposure to volumetric risk would increase under
13	the Public Counsel proposal.
14	The Staff proposal is only somewhat
15	less extreme. It appears that the Staff would
16	support some nominal, although as yet
17	unidentified, increase in the fixed monthly rate
18	element for the residential and small general
19	service classes.
20	In addition, the Staff supports an
21	increase in miscellaneous service charges that
22	would recover approximately 1.2 million in revenue
23	requirement that would otherwise need to be
24	reflected in monthly rates. Monthly or volumetric
25	rates.

----

1	Page 1994 Like the Public Counsel, the Staff
2	also opposes any form of weather mitigation or
3	weather normalization rate design for volumetric
4	rate elements. While marginally less extreme, the
5	Staff rate design proposals would also increase
6	MGE's exposure to volumetric revenue shortfalls.
7	In conclusion, MGE believes that the
8	evidence establishes the existence of a problem.
9	The problem is that MGE's volumetric rate elements
10	have consistently produced revenue shortfalls in
11	relation to target levels established through the
12	rate setting process.
13	Simply ignoring the problem as the
14	Staff and Public Counsel rate design proposals
15	would have the Commission do will not make the
16	problem go away.
17	Therefore, MGE asks the Commission
18	to take meaningful steps to address the problem by
19	increasing fixed monthly rate elements,
20	implementing a weather mitigation form of rate
21	design for volumetric rate elements, and
22	increasing miscellaneous service charges, charge
23	levels to reflect the actual cost of providing
24	those services. Thank you.
25	JUDGE WOODRUFF: Thank you. For

Page 1995 1 Staff? 2 MS. SHEMWELL: Good morning. Staff 3 has, as will be shown in Mr. Beck's testimony, has 4 done a cost study and they have attempted to do it 5 in a very neutral way. Staff has no goals in this 6 case other than to come to numbers it believes is 7 reasonable. And I think the evidence will show 8 that even neutral evaluators of this issue can 9 disagree as to cost allocations among the various 10 classes of customers. 11 Staff's recommending at this point 12 that there be no change in the allocation of cost 13 to customers. The fixed customer charge, Staff 14cannot support an increase of \$3. This is a 15 monthly customer charge, and Staff testimony 16 certainly does not support the kind of increase 17that MGE is requesting. In terms of volumetric costs, there 18 19 are two costs there. There is a margin cost which 20 is what MGE is talking about when they're talking about the volumetric, and then there's a gas cost 21 22 which goes through the PGA. 23 The miscellaneous charges are going 24 to be addressed by Mr. Imhoff, and again, those 25 are the kinds of things that are connection and

-

	Page 1996
1	disconnection, reconnection, those kinds of
2	things. And Staff believes that those costs
3	should be supported by the actual costs of the
4	Company and generally that the customers that
5	cause those costs should be responsible for them.
6	Staff agrees that MGE should have
7	the opportunity, but not a guarantee, to earn the
8	return that the Commission recommends in this
9	case. Staff does not support weather
10	normalization. We did an experiment with another
11	utility company. We consider it still to be an
12	experiment. We do not know the results of that
13	experiment, whether or not it's necessary.
14	But elimination of weather risk
15	essentially eliminates all risk for MGE as a
16	utility company, and Staff does not believe that
17	that entire risk should be placed on customers.
18	That's all I have. Thank you.
19	JUDGE WOODRUFF: Thank you. For
20	Public Counsel?
21	MR. MICHEEL: May it please the
22	Commission, the Office of Public Counsel is going
23	to be presenting two witnesses in this case,
24	Barbara Meisenheimer and James Busch. Public
25	Counsel's cost allocation methodology is set forth
I	

-

÷

ł

Page 1997 1 in the direct rate design testimony of those 2 witnesses and the class cost of service study is 3 set forth in the rate design testimony of Mr. 4 Busch.

5 The Office of Public Counsel 6 recommends that the Commission use the cost of 7 service studies as a guide and recommends that the 8 Commission only go halfway to Public Counsel's recommended cost of service study, and that if any 9 10 party is -- any customer class, excuse me, is 11 getting -- no customer class should get a decrease if another customer class is getting an increase. 12 13 I want to talk just specifically about the issues of rate design, and I think Mr. 14

Hack weighed them out fairly adequately, the fixed monthly charge, the volumetric charge, and the miscellaneous service charge.

18 First with respect to fixed monthly 19 charge, the evidence is already going to show that 20 the fixed nature of that charge is already 21 deflecting variation from the weather for MGE because that's a fixed charge and not tied at all 22 23 to the weather. So MGE's claims, the evidence 24 will show, that their costs are completely 25 dependent on the weather are simply not -- not

www.midwestlitigation.com

MIDWEST LITIGATION SERVICES Phone: 1.800.280.DEPO(3376) 1 correct.

Secondly, the cost of service study done by the Office of Public Counsel indicates that there should be absolutely no increase in that fixed charge consistent with what the study of the Staff has shown and what Miss Shemwell said in her opening.

8 Secondly is the issue of volumetric 9 charge, and this is where the, quote unquote, 10 weather mitigation rate design comes in. And the 11 Office of the Public Counsel is opposed to that 12 rate design.

Ms. Meisenheimer in her rebuttal testimony conducted a study and set out, beginning at page 14, going over to page 15, six specific reasons why the weather mitigation rate design is inappropriate. The evidence will show that customers will pay more in warmer weather and in the colder winter months.

The evidence will show that potential gain or loss from weather variation is not symmetric if the Company is allowed to recover uncollected gas costs due to PGA/ACA process. The evidence will show that MGE's proposal virtually eliminates a customer's ability to reduce the

-	Page 1999
1	non-gas portion of the bill through reduced
2	consumption during the coldest months. So the
3	customer can't do anything to mitigate the
4	upward price volatility on the bill.
5	Fourth, the evidence will show that
6	their proposed mandatory customer charge serves as
7	an additional obstacle to customers' ability to
8	lower their monthly bills.
9	Fifth, weather variation again, as
10	Miss Shemwell indicated, is the primary factor for
11	risk for local distribution companies. And if the
12	Commission is going to adopt something like that,
13	which we recommend against, certainly there should
14	be a reduction in the Company's rate of return.
15	Or customers would be made worse off.
16	And finally, the evidence will show
17	that MGE's proposed rate design increases upward
18	volatility of customers' utility bills in colder
19	than normal weather, and that is, I submit to you,
20	the exact opposite result that this Commission
21	wishes to reach.
22	Unstated in any of the openings so
23	far is MGE's proposal, alternative proposal, as I
24	understand it, for this Commission to implement a
25	weather normalization clause.
]	

. |

- -

1

- --- ---

	Page 2000
1	This Commission with respect to this
2	Company on three occasions has dealt with MGE's
3	request for a weather normalization clause. On
4	all three occasions, this Commission has rejected
5	it for the policy and legal reasons set out in its
6	Commission's order.
7	I would submit to you that three
8	strikes and you're out in this case. They've
9	already had their three strikes, they're out. But
10	the evidence will indicate various reasons and
11	contained in Mr. Busch's, I believe, surrebuttal
12	testimony as to why that's not an appropriate
13	thing to do.
14	Finally, the evidence will indicate
15	that MGE has requested incredibly, you know, well
16	over 100 percent increases in certain
17	miscellaneous charges that we're going to hear
18	about. And certainly the rate shock and impact of
19	increasing those charges that large amount is
20	wholly unacceptable.
21	I think at the end of the day, the
22	appropriate thing for this Commission to do is to
23	adopt the Public Counsel's proposed rate design
24	based on our class cost of service study.
25	JUDGE WOODRUFF: Thank you. Midwest
1	

1 Gas?

• - •

Page 2001

-	50B.
2	MR. CONRAD: Good morning, Your
3	Honors. At the opening gun of this case, I made a
4	brief opening statement. I'm going to endeavor
5	not to recover that ground, save to just make
6	reference to the 1985/1986 beginnings of
7	transportation in this, with the Case GR-85-264 in
8	which we took what were then sales rates for all
9	the customers, and simply for the transportation
10	customers, extracted from those rates the cost of
11	gas.
12	Now, that cost of gas now is over in
13	the PGA. At that time there were a few dollars of
14	gas cost in the base rates. Those were identified
15	and pulled out also. So what was left at that
16	time that had the intended effect of disrupting
17	what I was doing, but I'll try to recover.
18	That created a situation in which
19	the LDC at that time it was KPL and all the
20	other LDCs in the state, because that was the
21	generic docket, were essentially made indifferent
22	to whether they started transportation or not.
23	They did not like the concept to
24	begin with, so we thought, all right, one way to
25	get this going is to make them economically
1	

Fax: 314.644.1334

į

1	Page 2002 indifferent to it, that they would in effect make
2	it the same, whether they sold the gas or not.
3	Same was true, frankly, with respect
4	to Public Counsel's Office. They would have been
5	concerned about moving costs from one class of
6	customer to another. By doing it that way, that
7	issue was was taken really off the table.
8	But that left us with a margin rate
9	for transportation, and since 1985 and '86, that
10	has never really been explored by the Commission
11	in any in any docket that I am aware of.
12	We've tried to raise a couple of
13	things, and by saying that, I want to emphasize
14	that it's not our purpose in this case to get into
15	that in great detail. I would simply like to, in
16	amplification of the comments that have been made
17	by Staff counsel, point out that we believe that
18	cost causers should be cost payers. That shows
19	who are responsible for causing the cost to be
20	imposed should pay that cost. The class and even
21	if possible down to an individual customer basis.
22	So we agree with with Staff on
23	that particular point, but we obviously have some
24	disagreements with respect to how you identify who
25	caused a certain cost. In that light, I want to

----

1	Page 2003 lift the top very quickly for you on some of the
2	costs that have been in, historically, in that
3	margin rate that continue to be there. And
4	because of the cost of gas escalation, which is
5	taken care of for the Company for the most part
6	through the PGA.
7	The cost of that gas inventory which
8	the Company feels it needs to maintain in storage
9	caverns, while not directly charged to
10	transportation customers, to the extent that's
11	included as a rate base item, the Company is
12	allowed to earn a rate of return on the investment
13	that it has in that storage inventory. But that
14	storage inventory is held for the purpose of
15	providing gas to system supply or to sales
16	customers.
17	The meter reading issue. For
18	industrial customers, LVS customers, back as a
19	part of a of an earlier rate case settlement, I
20	believe it was the last KPL case before MGE took
21	over, those customers were asked to and finally
22	agreed to pick up the cost of installing
23	electronic gas metering equipment on each of their
24	installations. Up to as much as \$5,000 per
25	installation.

\_\_\_\_\_

	Page 2004
1	The other rate payers were
2	exonerated from that. That was done to create a
3	benefit not only for the system, but for them, and
4	also to provide the interstate pipeline with data
5	that it could use to bill the local distribution
6	company for the rest of the transportation
7	services. But they picked that up.
8	Other meeting meter reading costs
9	are paid by all the rate payers, but part of that
10	gets loaded back onto the LVS transportation
11	customers who have already paid for it once and we
12	don't think should pay for it again.
13	Bad debts, predominantly bad debts
14	do not come from the transportation customers.
15	Predominantly bad debts come from the sales
16	customers. And because, bluntly, the cost of gas
17	has increased significantly, that again is asking
18	transportation customers, when those are flowed
19	back to us, that's asking transportation customers
20	to pay for gas which the Company bought, sold to
21	some other customer, but that other customer
22	chose, for whatever reason, justified or
23	unjustified, to not pay for it.
24	Well, we buy our own gas, and
25	certainly the class should pick up the cost of its

----

	Hearing 7/1/2004
1	Page 2005 own class' bad debt. But not the cost of gas of
2	some other customer class.
3	Working capital, the Company is
4	required to expand working capital and provide
5	working capital for its operations, Judge, and
6	again, primarily because of the cost of gas and
7	the gas supply, a lot of that working capital is
8	properly allocated to the sales customers.
9	And finally, the gas purchasing
10	activity and all personnel that involve themselves
11	in that from day to day and week to week. They
12	perform a useful function. We have heard some
13	evidence already in this case that they may not be
14	performing it as well as maybe some parties would
15	like, but they do perform that function in some
16	way, shape, or form. But our customers buy their
17	own gas at their own cost at their own expense,
18	and so those costs ought to be pushed away.
19	All that is in order to say that
20	when you take those costs out of what we believe
21	is a proper cost study, which is, frankly, the one
22	originally done by the Company, subject to an
23	adjustment that the Company recognized to correct
24	an error, you end up with something close to what
25	Mr. Price of FEA has come about. And that study

\_\_\_\_\_

· · · -

ļ

- --

~ ------

	Page 2006
1	includes those costs that I've mentioned that
2	ought to be taken out.
3	So at a minimum, there should be no
4	there should be no more I guess I should say
5	at a maximum, there should be no more than that
6	cost study shows that's allocated to the
7	transportation customers. And even that, we
8	believe, is an overstatement because it includes
9	these items.
10	We'll get into those one at a time.
11	Hopefully, that gives you a little bit of an
12	orientation to it, Judge. Thank you.
13	JUDGE WOODRUFF: Thank you, Mr.
14	Conrad. For Jackson County, UMKC and CMSU?
15	MR. FINNEGAN: Good morning. I'm
16	Jeremiah Finnegan, I'm representing Jackson
17	County, the University of Missouri-Kansas City, or
18	else UMKC, and Central Missouri State University,
19	or CMSU.
20	On behalf of Jackson County, UMKC,
21	and CMSU, we are basically almost all of them
22	go through most of the classes of customers. We
23	within we buy gas as residential, small
24	general service, large general service, and large
25	volume. Jackson County not so much so, but UMKC

	Page 2007
1	and CMSU have residence halls.
2	Jackson County is here representing
3	all of Jackson County, which means all the classes
4	of customers. And the major concern here is that
5	there's a fair and impartial cost of service study
6	that all classes of customers are treated fairly.
7	With respect to UMKC and CMSU, we
8	have joined with MGUA in filing testimony of Mr.
9	Don Johnstone. Our major concern, though, for the
10	universities is the fact that they have they
11	take LVS gas through multiple meters. CMSU takes
12	it through 14 meters and UMKC has five meters to
13	receive their LVS gas.
14	And there was an agreement reached
15	with the Company earlier with respect to the
16	multiple meter charge. There is presently in
17	effect a discount for any meter beyond two, after
18	the first two meters, which is 50 percent of the
19	current rate and which equals \$204.65 a meter,
20	which is still substantial.
21	The agreement, and I understand
22	there is no objection to this by any party, is
23	that if there is an increase in the LVS customer
24	charge, that the \$204.65 rate remains the same for
25	the meters beyond two. So that there would be an
1	

1	Page 2008 adjustment in the percentage, and that's we're
2	very interested in that. So thank you.
3	JUDGE WOODRUFF: Thank you, Mr.
4	Finnegan. For the Federal Agencies?
5	MAJOR PAULSON: Good morning,
6	Commissioner, Judge. I'm Major Paulson, I
7	represent the Federal Executive Agencies in their
8	capacities as customers of MGE.
9	The Federal Executive Agencies'
10	major installations served by MGE are Whiteman Air
11	Force Base and the Department of Energy facility
12	in Kansas City, Missouri. Both of these
13	installations are LVS transportation only
14	customers, they are not gas supply customers.
15	Whiteman Air Force Base also received service to
16	its military family housing area as an LGS
17	customer.
18	The Federal Executive Agencies' cost
19	of service study shows that both the LVS and LGS
20	class are overpaying above their cost of service.
21	The LVS class is overpaying by 18 percent, and the
22	LGS class is overpaying by 60 percent. Prefiled
23	testimony by the Federal Executive Agencies, OPC,
24	Staff, and the Company all indicate that the LGS
25	class is overpaying.

·· \_ \_ \_ \_ \_ \_

Page 2009 As you've heard previously, cost of
service studies are a guide. The ultimate goal is
just and reasonable rates. And in determining
just and reasonable rates, the Commission can
consider the impact of shifting revenues between
classes. The Federal Executive Agencies, Staff
and Company have all stated in prefiled testimony
that an equal percent increase across all customer
classes would be reasonable.
The one cost of service study that
departs from this is the OPC study, and I would
suggest to you that you consider the comments that
the OPC attorney made where he said three strikes
and you're out.
Much of the difference between the
OPC study and the other studies is based on a
methodology for allocating the mains, called the
relative system utilization method. This
methodology has been presented to the Commission
in the past, in past MGE cases, and it has been
rejected.
The Federal Executive Agencies
recommend that you consider reducing the amount of
any increase to the large general service class by

25 25 percent.

L

. ...

1	Page 2010 For example, let's say the
2	Commission approves a 5 percent increase. The LGS
3	increase under our proposal would be 3.75 percent,
4	and according to our calculations, the increase
5	for the other classes would be 5.05 percent.
6	One final comment. We also agreed
7	with Staff's statement that customers should not
8	pay for services they do not use, and we would ask
9	that you pay particular attention to this concept
10	as you listen to the discussion and the testimony
11	about the gas costs being charge to the LVS
12	customers. Thank you and that concludes my
13	comments.
14	JUDGE WOODRUFF: Thank you. City of
15	Kansas City and City of Joplin are not here, at
16	least I don't see anyone.
17	So we'll move on to the first
18	witness, and by agreement of the parties, it's
19	going to be Tom Imhoff for the Staff.
20	Please raise your right hand, I'll
21	swear you in.
22	(Witness sworn.)
23	THOMAS IMHOFF, testified as follows:
24	DIRECT EXAMINATION BY MR. SCHWARZ:
25	Q Thank you. Would you state your

1	Page 2011 name and place of employment for the record,
2	please?
3	A My name is Thomas M. Imhoff, and I
4	work for the Missouri Public Service Commission.
5	Q And in what capacity do you work?
6	A I am the manager over the energy
7	department's rates and tariffs rate design.
8	Q And did you cause to be prefiled in
9	this case direct testimony which has been marked
10	as Exhibit 818, rebuttal testimony which has been
11	marked Exhibit 819, and surrebuttal testimony that
12	has been marked 820?
13	A Yes.
14	Q Do you have any corrections to make
15	to that testimony?
16	A I do, to Exhibit No. 818, which is
17	my direct testimony.
18	Q Would you
19	A On page 9, first line, compounded
20	per month should be deleted. And then the whole
21	sentence beginning on line 2, in other words, the
22	late payment charge would not be applied to a
23	previous late charge balance, thus eliminating the
24	compounding effect of the late payment charge,
25	that should also be deleted.

Page 2012 1 Q Do you have any other corrections to 2 make to your prefiled testimony? Not that I'm aware of at this time. 3 Ά 4 0 If I asked you the same questions 5 today, would your answers be substantially the 6 same? 7 Yes, they would. А 8 0 And are those answers true and 9 correct to your information and belief? 10 Yes, they are. А MR. SCHWARZ: I would offer Exhibits 11 818, 819, and 820 into the record, and tender the 12witness for cross. 13 14 JUDGE WOODRUFF: It's my 15 understanding this is the only time Mr. Imhoff 16 will be on the stand? 17 MR. SCHWARZ: That's correct. 18 JUDGE WOODRUFF: Exhibits 818, 819, and 820 have been offered into evidence. Are 19 2.0 there any objections to their receipt? 21 MR. HACK: None. 22 JUDGE WOODRUFF: Hearing none, they 23 will be received into evidence. 24All right. And for cross 25 examination, then, we begin with Public Counsel.

Hearing 7/1/2004

Page 2013 CROSS EXAMINATION BY MR. MICHEEL: 1 Mr. Imhoff, it's my understanding 2 0 3 that your proposal with respect to these fees is set out at page 6 of your direct testimony; is 4 5 that correct? 6 Yes, sir. А 7 And if I read your direct testimony 0 8 correctly, you agree with changing the connection 9 fee from \$20 to \$45; is that correct? 10 А Yes. 11 Q Would you agree with me that that's more than doubling? 12 13 А Yes. Is that a considerable increase? 140 15 А Yes, it is. 16 And do you know what rate shock is? 0 17 Α Somewhat, yes. And -- and what is it? 18 0 19 Rate shock would be where there А 2.0 would be a dramatic increase in a rate or a price 21 to the customer. Like a -- more than a doubling? 22 Q 23 А Yes. 24 0 The second fee is the standard 25 reconnect fee, and that's increasing \$10; is that

Hearing 7/1/2004 Page 2014 1 correct? 2 Yes, it is. Ά And is that based on a study? 3 0 That's based off of the information 4 А 5 that I have received that's based off of the 6 Company's information that they gave me that would 7 calculate it out. 8 Q Did you conduct your own study, Mr. 9 Imhoff? Or did you rely on information from the 10 Company? I relied on information that was 11 А 12 supplied to me from the Company. 13 Now, with the -- with -- and I just Q 14 want to understand your testimony, Mr. Imhoff. 15 You do not agree with the reconnection from the 16 curb going from 56 to \$425; is that correct? 17 А That's correct. 18 And you're recommending that that 0 19 stay at \$56? 20 А Yes. 21 0 And why is that? 22 Well, the Company had no support for Α 23 the \$425 that they were recommending. And the 24 lack of any supporting documentation or contract 25 with an outside contractor, I could not go along

Page 2015 1 with that. 2 Would a move from \$56 to \$425 be 0 3 shocking? Yes, it would. 4 А 5 And would that meet your definition 0 6 of rate shock? 7 Yes, it would. А 8 Q On the reconnection at the main, 9 it's my understanding the Company has proposed to go from \$106 to \$425; and you oppose that. 10 Is 11 that correct? 12 А Yes. 13 Q And why is that, sir? 14А Once again, there was no support for that increase in the rate. All of the reasons 15 16 that I gave for the reconnection at the curb are 17 the same for the reconnection at the main. 18 And then the final fee that you're Q recommending is a \$1.50 increase in the transfer 19 20 fee. Is that correct? 21 Yes. А 22 And that transfer fee is a fee when 0 I move from residence A to residence B and 23 24 transfer service; is that correct? 25 А Yes.

Page 2016 And did you receive -- did you 1 0 2 conduct your own study as to those costs? 3 No. А 4 MR. MICHEEL: Thank you very much, 5 Mr. Imhoff. 6 JUDGE WOODRUFF: Kansas City and 7 Joplin are not here. Federal Agencies? 8 MAJOR PAULSON: No questions, sir. 9 JUDGE WOODRUFF: All right. I 10 believe Midwest Gas wants to go next? 11 MR. CONRAD: Not for this witness, 12 Judge. We don't have any questions for him. 13 JUDGE WOODRUFF: I might add that 14 Mr. Finnegan spoke to me before the hearing and 15 indicated that he would prefer that in cross examinations, Midwest Gas go before Jackson 16 County. Unless there's objection to that, I don't 17 18 have a problem with that, so I'll make it that. 19 Mr. Finnegan, do you have any guestions? 20 MR. FINNEGAN: I have no questions 21 of this witness. 22 JUDGE WOODRUFF: All right. For 23 MGE? 24 CROSS EXAMINATION BY MR. HACK: 25 Very briefly. Good morning. Q

Page 2017 Good morning. 7 А 2 Mr. Imhoff, are you aware of whether 0 the Company has acquiesced or withdrawn its 3 request to increase the reconnect at the curb and 4 reconnect at the main? 5 It is my understanding that they 6 Ά 7 have dropped that request and that they are going 8 to maintain those -- the \$56 for the reconnection at the curb and the \$106 for the reconnection at 9 10 the main. Can you speak a little bit to the 11 0 12 history of the connect fee, both generally for energy utilities and then specifically for MGE? 13 Maybe I'll be more -- when -- if you 14 15 went back five years, did any energy company have a connect fee? 16 17 A NO. And when was the connect fee 18 Q 19 initiated for Missouri Gas Energy? 20 Α In their last rate case. And was that connect fee the first 21 0 of its kind for an energy company in Missouri? 22 It was the second. The first one 23 А 24was for Laclede Gas Company. 25 I think if you'll go back, you might 0

Hearing 7/1.	/2004
--------------	-------

Page 2018 1 find it differently, but I'll accept your answer. 2 When -- when it was set in MGE's last rate case, was it deliberately set at a level 3 less than the full cost? 4 5 Ά I don't recall at this point. I'd have to go back and look. I don't have that data. 6 7 Would it be fair to say, at least as 0 it relates to the last case, that the charge for 8 this service went from zero dollars to \$20? 9 No, it did not, in the last rate 10 А It didn't go from zero dollars to \$20. The 11 case. 12 transfer fee? 13 No, sir. The connect fee. 0 Oh. I'm sorry. Yes. 14 А And in this case, your analysis and 15 0 review of the -- the information provided by MGE 16 indicates that the cost of providing this service, 17 the connect service, is \$45 per incidence. 18 19 Correct? 20 Yes, it is. Α And if those costs are not recovered 21 0 from the individuals asking that service be 22 connected, who else -- or where will those costs 23 24 be recovered? 25 I would assume that it would come А

Page 2019 from the general body of rate payers. 1 2 Q So under -- under that scenario, a 3 customer who moves frequently would incur costs borne by customers who do not move frequently? 4 I'm sorry, could you repeat the 5 А 6 question? I was lost. 7 Did you agree with me that -- that 0 the cost of providing the connect service, 8 9 according to the information reviewed by you, is 10 \$45 an instance? 11 Α Yes. And did you also agree with me that 120 13 if the charge for that service remains at \$20, that the -- the difference, the \$25 per instance, 14 will be recovered through other rate elements? 15 16 А Yes. 17 And would you also agree with me 0 that -- that a customer who moves frequently may 18 19 cause that \$25 cost recovery shortfall more than 20 once? 21 Α Yes. And would that shortfall be 22 0 23 recovered by other customers who do not move quite 24 so frequently? 25 А I would assume so, yes.

Hearing 7/1/2004 Page 2020 1 MR. HACK: Thank you. 2 JUDGE WOODRUFF: All right. We'll 3 come up for questions from the bench. Commissioner Appling, do you have any questions? 4 5 BY COMMISSIONER APPLING: 6 Good morning, Tom. Q 7 А Good morning, Commissioner. 8 Q Do you think that MGE has a 9 reasonable expectation for an increase in the 10 connect and reconnect fees here? 11 Maybe not at the level they wish to have requested, but during your study and your 12 13 looking into it, is there a reasonable expectation that some kind of increase is justified? 14 15Yes. I believe so. The -- based А off of the information that they had supplied me, 16 when -- when these costs were calculated out to 17 18 the rates that we had recommended. So I'm not 19 sure as far as what would be a -- if there would 20 be somewhat less, I'm not sure. 21 COMMISSIONER APPLING: Okay. Thank 22 you. 23 JUDGE WOODRUFF: We'll move to redirect, then? Or excuse me, recross. 24 Public 25 Counsel?

----

Page 2021 1 MR. MICHEEL: No, Your Honor. 2 JUDGE WOODRUFF: Kansas City and 3 Joplin are not here. Federal Agencies? 4 MAJOR PAULSON: No. sir. 5 JUDGE WOODRUFF: Midwest Gas? 6 MR. CONRAD: No, sir. 7 JUDGE WOODRUFF: Jackson County? 8 MR. FINNEGAN: No, sir. 9 JUDGE WOODRUFF: MGE? 10 MR. HACK: No, sir. 11 JUDGE WOODRUFF: Okay. Now 12 redirect. 13 REDIRECT EXAMINATION BY MR. SCHWARZ: Mr. Micheel asked you some questions 14 0 15 about your support for the connection fee, 16 reconnect fee, and transfer fee, and I would like to -- you indicated that you reviewed the 17 18 Company's records. Is that correct? 19 Α Yes. 20 What kinds of records did they Q 21 provide? 22 А They provided a breakdown of the 23 cost elements, cost components for the rates in 24 their response to my Staff Data Request. And that 25 Staff Data Request was Staff DR No. 0208.

Page 2022 1 And in your course of employment 0 with the Commission, have you -- have you done 2 3 such reviews, for instance, in the PGA process? 4 А Yes. So this is not something that's 5 0 6 unusual or -- or out of the ordinary course of 7 procedures in rate cases? 8 А NO. 9 And I want to ask you a little bit 0 10 about rate shock as well. Particularly -- well, let's take a look at the transfer fee first. That 11 12increases a dollar and fifty cents. 13 А Yes. 14Is that an increase that a customer 0 15 will see every month? 16 Α No. 17 0 So it -- it may be many months or 18 even years in between instances of customers seeing a transfer fee? 19 20 А Yes. Do you think that that's the kind of 21 0 22 thing that the customer would remember from, say, 23 six, eight -- eight months, 18 months ago, what 24 the transfer fee was? 25 No. А

Page 2023 With the standard reconnect fee, 1 0 2 again, that's not something that a customer sees 3 every month and would then notice an increase from 4 one month to the next, would it? 5 No. That's correct. А 6 MR. SCHWARZ: Thank you. That's 7 all. 8 JUDGE WOODRUFF: All right. Mr. 9 Imhoff, you can step down. 10 We'll move, then, to the witness for the Company, Jay Cummings. All right. Please 11 12 raise your right hand. 13 (Witness sworn.) 14JUDGE WOODRUFF: You may be seated, 15 and you may inquire. 16 F. JAY CUMMINGS, testified as follows: DIRECT EXAMINATION BY MR. HACK: 17 18 0 State your name for the record, 19 please. 20 F. Jay Cummings. А 21Mr. Cummings, have you caused to be Q 22 prepared and submitted in this proceeding certain 23 direct, updated direct, rebuttal, and surrebuttal testimonies that have been premarked for 2.4 25 identification purposes as Exhibits 23, 24, 25,

Hearing 7/1/2004 Page 2024 and 26, respectively? 1 2 А Yes, I have. 3 Do you have any changes or 0 4 corrections to make to any of those testimonies at 5 this time? 6 А Yes, I do. 7 Q What are they? 8 On Exhibit 25, my rebuttal Α 9 testimony, page 36, line 9. The word benefit is misspelled. We need to insert an E after the 10 11 letter N. 12 And then on Exhibit 26, my 13 surrebuttal testimony, page 49, lines 15 through 20, and the associated footnote should be deleted. 14 15 In that instance I tried to oversimplify what is a much more complex calculation than I had at first 16 17 realized. Very simply, in looking at 18 19 subsequent period ACA adjustments, the fact of the 20 matter is in a warm period you're going to under 21 recover gas costs under any rate design simply 22 because a portion of those gas costs involve fixed 23 pipeline charges that are recovered 24 volumetrically. The problem is it's not that 25 simple to calculate, so I have deleted this.

Hearing 7/1/2004 Page 2025 1 MR. HACK: Your Honor, may I 2 approach and just mark the changes in the 3 exhibits? 4 JUDGE WOODRUFF: You may. 5 0 (By Mr. Hack) What page was the 6 other one on? 7 In the surrebuttal, it was 49 and A the associated footnote. 8 9 Subject to those changes, Mr. Q 10 Cummings, if I were to ask you the questions posed in those testimonies today, would your answers be 11 12 substantially the same? 13 Yes, they would. А 140 And are those answers true and 15 correct to the best of your information, 16 knowledge, and belief? 17 А Yes, they are. 18 MR. HACK: MGE would move the 19 admission of Exhibits 23, 24, 25, and 26, and pass 20 the witness. 21 JUDGE WOODRUFF: And this will be 22 his only appearance? 23 MR. HACK: Yes. 24JUDGE WOODRUFF: 23, 24, 25, and 26 25 have been offered into evidence. Are there any

Phone: 1.800.280.DEPO(3376)

Page 2026 objections to their receipt? Hearing none, they 1 2 will be received into evidence. 3 And then for cross examination, 4 Kansas City and Joplin are not here, so we start 5 with Federal Agencies. 6 CROSS EXAMINATION BY MAJOR PAULSON: 7 Good morning. Q 8 А Good morning. 9 0 Is it Dr. Cummings or Mr. Cummings? 10 А Whatever you prefer, sir. Well, what's the doctor -- what's 11 Q 12 your doctorate in? 13 Α Economics. 14 Economics, okay. University of 0 15 Texas? 16 No, sir. University of Virginia. Α 17 Q Virginia. All right. Charlottesville. Is your system designed to meet 18 19 the peak demand? 20 А The sizing of various facilities are 21 designed to meet the peak demand. 22 And when is the peak demand? 0 23 Well, it's in the winter months. Α And who -- who is the customer class 24 0 25 that contributes the most to the peak demand in

	Hearing 7/1/2004
1	Page 2027 those winter months?
2	A Of all the classes, the residential
3	class contributes the largest portion of that
4	peak.
5	Q What would happen if your mains
6	weren't large enough to meet that peak demand?
7	A I presume there would be curtailment
8	during those very cold periods.
9	Q Have you looked at the Office of
10	Public Counsel RSUM methodology?
11	A I have not studied the methodology.
12	I've looked at the results of the study.
13	Q Do you have an opinion on the study?
14	A In the sense that let me focus on
15	on mains. In the sense that mains are
16	classified as entirely a demand related cost, I
17	have a problem with that aspect of the study, yes.
18	Q And what's the problem you have with
19	it?
20	A I believe a portion of the mains
21	investment should be considered as customer
22	related, since it's necessary to extend mains just
23	to reach the customer. Whereas the sizing of
24	those mains should be should be the portion
25	that is considered demand related.

- - -----

----

Hearing 7/1/2004 Page 2028 What's the largest customer class 1 0 2 you have? 3 А The largest in terms of number of customers? 4 5 Yes. 0 Residential. 6 Ä Is it your testimony that the LVS 7 0 8 class contributes 18 percent to the system peak 9 demand? The allocation factor I used for 10 А peak demand does show a calculation that results 11 in 18 percent of that peak demand being attributed 12 13 to that class. Yes, sir. And did you attribute, I believe, 61 14 Q percent to the residential class; is that correct? 15 16 That's correct. А 17 Mains are 39 percent of the total 0 plant and service. Correct? 18 19 Measured in terms of gross plant А 20 values, that sounds correct, yes, sir. Yes. Your cost of service study 21 0 22 indicates that the large general service class is 23 currently overpaying. Is that correct? 24Α Yes. 25 Is it correct that the results of Q

Hearing	7/1/2004
---------	----------

Page 2029 1 the approach used by the Office of Public Counsel 2 is to shift costs away from the residential class towards the other classes? 3 4 Could you repeat that question? А 5 Is it true that the result of the 0 6 approach used by the Office of Public Counsel in 7 their cost of service study is to shift costs away from the residential class toward the other 8 9 classes? 10 MR. MICHEEL: I'm going to object. 11 That asks -- calls for speculation. If he wants to know what the purpose of the Office of Public 12 Counsel's cost study is, he should ask a Public 13 Counsel witness. I don't think this witness is 14 15 competent to testify on the reasons behind Public 16 Counsel's rate design proposal. 17 MAJOR PAULSON: I'm talking about the results. It's a mathematical function to 18 19 determine the results. And in fact, if my notes 20 are correct, on page 24 of Dr. Cummings' rebuttal testimony, he addresses that question. 21 22 JUDGE WOODRUFF: If the question is 23 to the effect of Public Counsel's --24 MAJOR PAULSON: Yeah. 25 JUDGE WOODRUFF: Overrule the

Page 2030 1 objection. 2 MAJOR PAULSON: That's the question. 3 The effect. 4 0 (By Major Paulson) Do you need me 5 to repeat the question? 6 А No. That's okay. The proviso I 7 would make in responding is in comparison to the 8 Company's study, that is the end result, the end 9 mathematical result of the two studies, yes. 10 How many -- how many LVS gas supply 0 11 customers do you have? 12 It varies by month. А 13 Q Do you have a rough idea of the 14 percentage? 15 А It's a relatively small number. But as I recall the numbers throughout the course of 16 17 the test year, it was as small as one or two and 18 as large as a dozen or so, as I recall. 19 Q Do you have a percentage? 20 Α No, I don't. 21 Q Where is the gas inventory held on 22 the Company system? 23 А It's my understanding that these facilities are -- are not owned by the Company, 24 25 but rather its storage facilities on the pipeline

Page 2031 1 facilities. The interstate pipeline facilities. 2 Are the investment costs of these 0 3 storage facilities included in your cost of 4 service study in this case? 5 А There is a component of rate base 6 that involves gas inventory level, yes, sir. 7 MAJOR PAULSON: That concludes my 8 questions. 9 JUDGE WOODRUFF: Thank you, sir. 10 Then Midwest Gas? 11 CROSS EXAMINATION BY MR. CONRAD: 12 Good morning, Dr. Cummings. I'11 0 see if I can handle the microphone here correctly. 13 Let's start out looking, please, 14 15 sir, at your direct testimony, I believe that's 16 Exhibit 23. And at page 20, there is a question and answer that begins on line 14 I want to start 17 you with. Do you agree with me that the Q and A 18 19 there is basically a summary of the intent of your 20 cost of service study? 21Yes, sir, that describes the purpose А of my study. 22 23 Now, you used the term right at the Q end of that, lines 20 and 21, cost causation 24 25 principles. Do you see that phrase?

	Hearing 7/1/2004
	Page 2032
1	A Yes.
2	Q By that you mean what?
3	A Judgments regarding the
4	determination of which types of costs are caused
5	by which types of investments, for example, or
6	which types of customers or which types of
7	characteristics of those customers.
8	Q You used the term judgment, but you
9	use here in your testimony the term principles.
10	What's the difference?
11	A Well, judgments are required. It's
12	not a science. It's an art to do a cost of
13	service study, and various judgments are required.
14	Q So would you agree with me that
15	while there might be practical limitations, it's
16	fair to say that the goal is to distribute the
17	cost to the class of customers that caused MGE to
18	incur those costs?
19	A That is the goal of the study, yes,
20	sir.
21	Q And conversely, would you agree that
22	if a particular cost is not caused by a class, the
23	cost should not be distributed to that class; is
24	that right?
25	A An ideal world, yes, sir.
11	

www.midwestlitigation.com

-----

1

	Page 2033
1	Q Now, let me turn you to or ask
2	you to turn, please, to your updated direct, I
3	believe that's 24. Exhibit 24. And I see there
4	that you generally address the trend in usage of
5	the residential customers. You see that general
6	proposition in your updated direct?
7	A Can you provide me a reference?
8	Q Perhaps I'm on the wrong exhibit.
9	Well, let me ask it another way. Let's strike
10	that that question because that may be the
11	wrong exhibit.
12	Let me just ask you this. Do you
13	know if the usage of residential customers on the
14	MGE system is sensitive to how cold the weather
15	is?
16	A Yes.
17	Q Yes. You agree that it is?
18	A I agree.
19	Q Now, you provided with your
20	testimony and its various iterations some work
21	papers, did you not?
22	A Yes, I did.
23	MR. CONRAD: Your Honor, I have two
24	exhibits, I'm not sure where our numbers are. I
25	think we're somewhere around I think I have one
1	

· · ----

• -

-

Page 2034 that was premarked that was 602 that we redid, and 1 2 I think I have one that's premarked that's 603. 3 JUDGE WOODRUFF: That's correct. Rebuttal is 600. We left 601 aside because you 4 5 wanted to come back to it. 602 was -- yes. 603 6 will be the next one. 7 (Exhibit 603 marked for identification.) 8 9 0 (By Mr. Conrad) Dr. Cummings, I 10 have placed before you what's been marked for 11 purposes of identification as 603. Have you had 12 an opportunity to look at that? 13 А Yes, I have. 14Q Do you recognize that document, sir? 15 I believe this was one of my work А 16 papers associated with the updated direct 17testimony. Okay. And would, in the very lower 18 0 left bottom where it says D:\Jays update, would 19 20 the Jay be referring to you? 21 А Yes. 2.2 MR. CONRAD: Your Honor, with that, 23 I move 603 into the record. 24JUDGE WOODRUFF: 603 has been 25 offered into evidence. Are there any objections

> MIDWEST LITIGATION SERVICES Phone: 1.800.280.DEPO(3376)

Page 2035 to its receipt? Hearing none, it will be received 1 2 into evidence. (Exhibit 604 marked for 3 4 identification.) 5 (By Mr. Conrad) Dr. Cummings, I 0 have caused another document to be marked for 6 7 identification as Exhibit 604, and have laid that 8 before you. Do you also recognize that document? 9 Yes, I believe this was among my А 10 work papers supporting the same testimony. 11 MR. CONRAD: Okay. Your Honor, we 12 would move admission of 604. 13 JUDGE WOODRUFF: 604 has been offered into evidence. Are there any objections 14 15 to its receipt? Hearing none, it will be received 16 into evidence. 17 MR. CONRAD: Thank you. 18 (By Mr. Conrad) Now, let's turn to 0 19 603 for a moment, Dr. Cummings. And just so I am 20 following this document, this is indicating, in the column regular bills by months January through 21 December, would that be the number of residential 22 23 bills the Company sent in that month? 24 А Regular bills meaning ongoing 25 customer bills as distinct, for example, from

www.midwestlitigation.com

MIDWEST LITIGATION SERVICES Phone: 1.800.280.DEPO(3376)

Page 2036 final bills for those customers who terminated 1 service, yes. 2 3 And clarify, then, what the column 0 regular volumes means. 4 The volumes associated with those 5 А 6 regular bills that were actually billed to the 7 customer. 8 And again, the units there that Q 9 you're using are? 10 Ccf. А 11 Okay. Talk with me about the 0 12 columns as we move across there until we get to 13 the adjusted bill and volumes, so everybody's on 14 the same page. The next column is the weather 15 A 16 adjustment. That is the calculation in the 17 Company's testimony as updated for this period to adjust for the difference between actual and 18 19 normal weather. 20 The annualization column was the 21 Company's adjustment to reflect annualization of 22 growth within the test year -- or excuse me, 23 within this 12 month period January through 24 December. The apartment classification column 25

1	Page 2037 is an issue that has been removed from this case,
2	and it had to do with a proposal that the parties
3	have determined to drop that would involve
4	reclassification of certain customers.
5	Load attrition, again, I explained
6	the load attrition adjustment in my direct
7	testimony. This is the calculation of the volumes
8	associated with load attrition.
9	The adjustment bill and final bill
10	column is the sum of the volumes associated with
11	bill adjustments that occur in various months, as
12	well as the Ccf associated with final bills.
13	Q So the at the bottom of the
14	adjusted bill and final volumes column, below
15	that, there is a gap and then there's three
16	numbers. Do you see those?
17	A Yes, I do.
18	Q Help me understand what those three
19	are.
20	A Okay. The let's start with the
21	387,419,794. That is the total Ccfs summed across
22	these various columns. Regular volumes, weather
23	adjustment, annualization load attrition, the
24	adjusted bills, and the final bills.
25	The 387 is the 12 month total. The

	Hearing 7/1/2004
1	Page 2038
1	two numbers above that are the splits between
2	bills up to 68 Ccf and those greater than 68 Ccf.
3	So the total of 325 and 62 million gives you the
4	387 total.
5	Q Now let me ask you to look, please,
6	at 604. Exhibit 604, and we start there with
7	January and go through December of 2003. Am I
8	correct?
9	A That's correct.
10	Q That's the same months as on 603,
11	you just didn't put the year in there?
12	A That's correct.
13	Q Now, LVS first step volumes and then
14	we have a second column for second step volumes.
15	Explain those quickly to me.
16	A The LVS rate structure is one that
17.	has a two block rate structure, so these these
18	volumes break down the these two steps break
19	down the volumes in each block so that they can be
20	priced out according to that rate structure.
21	Q And the last column there on the top
22	part, billing equivalents, that number month by
23	month represents what, sir?
24	A Well, it's it's the number of
25	customer bills rendered reflecting the fact that
1	

Page 2039 1 we do have, as was mentioned earlier by Mr. 2 Finnegan, certain multiple meters that are 3 discounted. So it's not a pure count of meters, 4 it's somewhat less to reflect the discounted 5 meters. 6 Now, returning again to 603 for a 0 7 If you just look at the regular volumes moment. 8 column there for a moment, and that's kind of -- I 9 guess I would call that raw data? I mean, that's 10 unadjusted data, that's not been tinkered with for 11 weather or whatever; am I correct? 12 А It is the billed volumes, yes. Billed volumes. 13 0 Okay. Does that column, as you look at it, tend to demonstrate to 14 15 you the large variation of residential usage 16 during the months of the year? 17 Yes, it does. А 18 What would you, and I guess we could Q do a calculation, but what would you estimate here 19 20 is the ratio of the highest month to the lowest 21 month for the residential usage? 22 А Probably would be on the order of 23 magnitude of ten to one. 24 In looking at 604 for a moment, what Q. 25 would appear to you to be an approximation of the

04

Page 2040 ratio of the highest month to the lowest month for 1 2 the transportation usage? Well, it looks like, for example, in 3 А January, you have, oh, approximately 30 million 4 5 Ccf, and then in July you have approximately, 6 let's call it 8? So 30 divided by 8 is just short 7 of four. Now, if I'm correct, in order to get 8 Q 9 to the total volumes for the LVS class, you would 10 have to sum those two columns together. Am I 11 correct? That's correct. 12А And if I did that on a horizontal 13 0 14 summing, just, for example, January, added 9,598,887 to the 20,343,363, then I would have 15 what the LVS usage was for the month of January? 16 17I would like to point out that А Yes. while not stated here, these volumes reflect the 18 19 several adjustments that were associated with the 20 large volume service class. 21 Q But you didn't break those adjustments out here the way you did on your 22 residential section? 23 Not on the schedule because it was 24А 25 not necessary because we were not proposing a

MIDWEST LITIGATION SERVICES Phone: 1.800.280.DEPO(3376)

	Hearing 7/1/2004
1	Page 2041 significant shift in the nature of the rate design
2	as we were for residential.
3	Q Do you have any idea, Dr. Cummings,
4	what that usage might look like if it were to be
5	placed on a graph or chart?
6	A It wouldn't show the great degree of
7	variability month to month that you would see for
8	residential.
9	Q And if you were to see the data on
10	603 on a chart, what would that show you? What
11	would that look like?
12	A Much more variability.
13	(Exhibit 605 marked for
14	identification.)
15	Q (By Mr. Conrad) Dr. Cummings, I
16	tried to save you a little bit of work here. We
17	have talked about the numbers on 603 and 604, and
18	I've showed you now a chart which is not from your
19	work papers, but if you would look at the bottom
20	part of that chart, I wanted you to notice the
21	numbers 387,419,794, and does that tie to the
22	total Ccf that you had indicated on Exhibit 603?
23	A Yes, it does.
2.4	Q And it also shows for the LVS total
25	volumes in the first and second steps 240,644,843.

....

I

ļ

ł

I

Page 2042 1 Does that number tie to the corresponding total 2 that you had indicated on your work paper 604? 3 А Yes. Would you please take a moment, sir, 4 0 5 and examine the rest of the numbers below the 6 chart itself and satisfy yourself that we have 7 correctly transposed those numbers from your work 8 papers into the data for the chart? 9 А Well, I would have to do substantial 10 additions on residential because, unfortunately, there's not a total column by month --11 12 Sure. Q -- but -- but guite frankly, just 13 А 14 eyeballing a few of these, they look like they're 15 a reasonable representation of what's in 603 and 16 604. 17 0 And we didn't -- we didn't attempt 18 on that to break out your adjustments which you 19 had on 603, or separately state those, did we? 20 А That's correct. 21 But those adjustments, if I Q 22 understand the total 387,419,794 Ccf, those are 23 incorporated in that total, are they not? 24Yes, they are. А 25 MR. CONRAD: Your Honor, with that

	Hearing 7/1/2004
1	Page 2043 and the witness' testimony, I will acknowledge a
2	reasonable representation, I will move 605 into
3	the record.
4	MS. SHEMWELL: Judge, I'm sorry.
5	JUDGE WOODRUFF: Go ahead.
6	MS. SHEMWELL: I think that Staff
7	and MGE had some discussion about whether or not
8	Exhibit 603 and 604 actually represent the test
9	year data, and if that 605 is labeled to represent
10	test year volumes, I think that 604 and 605 went
11	beyond the test year. So I'm not sure that this
12	exhibit is properly labeled. I think this may
13	include volumes that are outside of the test year.
14	JUDGE WOODRUFF: Mr. Conrad, do you
15	have a response to that?
16	MR. CONRAD: Why don't we ask the
17	witness because I'm working with his
18	Q (By Mr. Conrad) Do you understand
19	the concern that Staff counsel has voiced about
20	the titling of the exhibit?
21	A Yes.
22	Q Are 603 and 604 test year numbers?
23	A I'll have to drop back a step and
24	provide some background, unfortunately, on this.
25	In the direct case, the Company used a test year

- - - -

----

-----

-----

---

	Page 2044
1	ending June 2003. With our updated test year
2	testimony with respect to the revenue issues, what
3	I did is used the entirely rebuilt revenue for the
4	period ending December '03 as distinct from an
5	approach where you start with the June volumes and
6	then selectively update certain items, which
7	ultimately is what is being done in this case,
8	both by the Company and the Staff.
9	So to try to provide a simple answer
10	to the question, yes, there are certain volumes
11	here that are not part and parcel of the updated
12	test year as ultimately developed in the case. I
13	hope that was somewhat clear.
14	Q So the clarification, I guess, that
15	you would make to 605 is that the question would
16	be really whose whose test year. Would that be
17	fair?
18	A Or perhaps no. Because once
19	again, as the case has evolved, the Company has
20	agreed to a test year of June 30th updated for
21	selected items. In other words, we have dropped
22	certain of these adjustments as presented here.
23	Q Well, I understand that. You you
24	mentioned, for example, the apartment
25	reclassification, I think, as you were going

-...

---- . .

----

		Page 2045
	1	through 603. Correct?
	2	A Well, even the annualization, for
	3	example, or, for example, the weather adjustment.
ļ	4	What we started with as we went through the series
	5	of rebuttal and surrebuttal is an adjustment to
	6	the June test year, not a year ending December.
	7	But what I would suggest, just
	8	perhaps for clarification, is you could call this
	9	MGE volumes for the year ended December '03
	10	adjusted. I think that's a fair representation of
	11	what was in a piece of testimony and the
	12	supporting work papers, and that's Exhibit 24.
	13	Just not use the word test year per se.
	14	MR. CONRAD: Judge, I'd inquire, I
	15	guess, of Staff counsel if that clarifies their
	16	concern.
	17	MS. SHEMWELL: I think it should be
	18	clear on here that this was not developed by MGE.
	19	Because I think that the labeling indicates that
	20	it was might be misleading.
	21	MR. CONRAD: We'll stipulate that
	22	it's not Laclede or Aquila.
	23	JUDGE WOODRUFF: I think the point
	24	is, let me make sure I'm understanding this, this
	25	chart is a representation of what came before in

. . . . . . . . .

Page 2046 603 and 604. 1 2 MR. CONRAD: That's correct. 3 THE WITNESS: That's correct. With that 4 JUDGE WOODRUFF: 5 understanding, 605 will be admitted into evidence. 6 MS. SHEMWELL: Are we relabeling it, 7 Judge, or how is it to be labeled? Described? 8 JUDGE WOODRUFF: It's labeled as it 9 is labeled and we've had discussion about it, so the record will be clear as to exactly what it is. 10 (By Mr. Conrad) Now, Dr. Cummings, 11 0 12 let me turn, please, to your cost of service 13 results. And I believe I want to direct you first really to your surrebuttal, and I -- again, that 14 15 is Exhibit, keep the record straight, 26. 16 And do I understand there correctly 17 that you agree with the corrected results of your original class cost of service study as Mr. Price 18had submitted them with his testimony on behalf of 19 the Federal Agencies? 20 21 А Yes. The correction of the one cell 22 reference area, I certainly agree with and have indicated that. 23 24 And what was the correction worth, 0 25 roughly?

---- --

-----

	Page 2047		
1	A Well, perhaps the best reference		
2	point would be back in my direct testimony, Mr.		
3	Conrad.		
4	Q All right. Would you direct us		
5	there, please, for the benefit of the record?		
6	A Yes. That's page 26. If you look		
7	at lines 19 and 20? Those numbers those		
8	numbers for residential, SGS, LGS and LVS would		
9	change. If you would like me to, I can indicate		
10	what they are.		
11	Q Well, why don't you do so just so		
12	we're all on the same page.		
13	MS. SHEMWELL: Are we all on the		
14	same page? Is this 26?		
15	MR. CONRAD: 26 of, I believe,		
16	Judge, it would be Exhibit 23. Am I correct,		
17	Doctor?		
18	THE WITNESS: That's correct.		
19	MS. SHEMWELL: I think on our		
20	version, which is the electronic, it's maybe 27.		
21	I got it from EVIS.		
22	THE WITNESS: It's a table that		
23	shows cost of service study and proposed changes.		
24	MR. MICHEEL: And this is on the		
25	original direct; is that correct?		
11			

Page 2048 1 THE WITNESS: Right. All I'm doing is reading the numbers that I agreed to as a 2 3 result of the study. 4 MR. CONRAD: Counsel for Staff 5 points out that on her copy, which -- the copy 6 that I have is on page 26, but she and I have 7 looked at our pages here and they otherwise seem 8 to be the same except for the page number. 9 This is under the JUDGE WOODRUFF: 10 paragraph 3, class revenue allocation and rate 11 design, the chart that --12 THE WITNESS: Yes. 13 JUDGE WOODRUFF: Yeah. Mine is also 14 on page 26 from EVIS, so. 15 MS. SHEMWELL: And that's the official record. 16 17 THE WITNESS: The numbers I'm 18 referring to are under the label cost of service 19 study. The residential number becomes 38,008,940. 20The SGS number becomes 6,179,215. The LGS number 21 becomes negative 500,479. The LVS number becomes 22 1,188,960. And I believe those numbers are the 23 same as what Mr. Price refers to on page 8. 24 Q (By Mr. Conrad) And your reference 25 to page 8 is to Mr. Price's --

Hearing	7/1	/2004
******		

Page 2049 Rebuttal testimony. Yes, sir. 1 А 2 His rebuttal testimony. Let me ask Q 3 you also, Dr. Cummings, are you aware in your research and work here, are there any LVS 4 customers that -- during whatever test year it is, 5 6 whether the Company's or the Staff's argument that 7 we're taking sales service? 8 А Yes. There are some who take sale 9 service. And those are classed as LVS 10 0 11 customers or LGS customers? 12 LVS customers. А 13 Q How many are there? Once again, I think the question 14 А 15 came up earlier, and I said it varies month to 16 It can be as small as one or two, as many month. 17 as a dozen or so, as I recall. 18 MR. CONRAD: Judge, this is a --19 this is -- would be an exhibit that was HC, 20 because it has customer specific information. 21 JUDGE WOODRUFF: Okay. 22 MR. CONRAD: I'll try to avoid --23 JUDGE WOODRUFF: We'll mark it as 606 HC. 24 25 (Exhibit 606 HC marked for

Page 2050 identification.) 1 2 (By Mr. Conrad) Dr. Cummings, I've 0 3 placed before you what's been marked for purposes 4 of identification in this record as 606 HC. Ι would observe to you, as I do so, that the 5 information has been labeled as highly 6 7 confidential by the Company, so I don't want us to 8 have to go into in camera just simply to identify 9 the exhibit. But the first question is, do you recognize this exhibit? 10 11 Ά Yes. It was provided in response to the Data Request indicated. 12 13 MR. CONRAD: And on that testimony, Judge, I would move the admission of 606 HC. 14 15 MR. MICHEEL: Your Honor, could I -could I just get an explanation of the numbers 16 that appear to be written on this that don't 17 appear to be part of the answer? By the Company? 18 19 MR. CONRAD: Yeah. 2.0 (By Mr. Conrad) Did you -- did you 0 add those numbers, Dr. Cummings, or was that 21 someone else's handwriting? 22 23 А Someone else's handwriting. 24 0 So those appear to be just 25 identifications of groups just to count through

Hearing 7/1/2004 Page 2051 1 the list? 2 It looks as if it's an account of А 3 line numbers. MR. CONRAD: With that, I would 4 5 again offer 606 HC. 6 JUDGE WOODRUFF: Okay. Let me ask 7 the witness, the names of the companies and the 8 entities that are on here, are these all LVS 9 customers, or -- can you tell me what these are? 10 THE WITNESS: In looking at them, 11 Your Honor, I certainly couldn't respond to each and every one of them. I know that some of these 12 13 customers at one point or other might have been 14LVS customers, but might not be at this point in 15time when this information was developed. Ι 16 recognize a few names that that is the case. 17 JUDGE WOODRUFF: And if they're not 18 LVS, they're probably LGS? 19 THE WITNESS: Could be a situation 20 where they're SGS, but more than likely LGS, yes, 21 sir. 22 JUDGE WOODRUFF: Okay. Thank you 23 for that clarification. 606 HC has been offered into evidence. Are there any objections to its 24 25 receipt? Hearing none, it will be received into

Page 2052 1 evidence. 2 (By Mr. Conrad) Now, would you 0 agree with me, Dr. Cummings, that -- and again, I 3 4 want us to stay away from HC material, so we'll just talk about the exhibit as a group without 5 6 identifying particular lines. 7 But would you agree with me that 8 this is a representation of costs that the Company 9 has incurred to install telemeasuring equipment on 10 customers, the bulk of which appear not to be LVS 11 customers? 12 Once again, as I indicated in A 13 response to the question by Judge Woodruff, some of these customers, I recognize names who were 14 15 previously LVS customers. 16 I recognize those names because in 17 the context of our adjustments in this case, we looked at switching among classes, and some 18 19 customers who were LVS customers no longer are --20 that are on this list. 21 The other thing we ought to recognize about this list, without revealing 22 23 names, is that many instances you will see a cost 24 figure that is relatively small. It's my 25 understanding in talking to the Company that there

	Page 2053		
1	that these often involve a second meter at a		
2	customer's location where the second meter is not		
3	a transport service meter, but has to have, for		
4	example, some corrector type facilities associated		
5	with it to make the EGM function properly.		
6	(Exhibit 607 HC marked for		
7	identification.)		
8	Q (By Mr. Conrad) Dr. Cummings, I		
9	have laid before you what I've caused to be marked		
10	for identification as Exhibit 607 HC. I call your		
11	attention to the fact that the covering sheet does		
12	not appear to be itself stamped as HC, but the		
13	documents that are attached to it are. So we'll		
14	do the best we can to refrain from identifying		
15	anything that's HC.		
16	With that in mind, can you identify		
17	or recognize Exhibit 607 HC?		
18	A Again, that was a response to a Data		
19	Request by Jackson County.		
20	Q And would I be correct that the		
21	listing that is attached is all current LVS		
22	customers, including CMSU and UMKC?		
23	A I assume that that's the case, given		
24	the question and the associated attachment.		
25	MR. CONRAD: Your Honor, I would		

Page 2054 move 607 HC into the record, please. 1 2 JUDGE WOODRUFF: 607 HC has been offered into evidence. Are there any objections 3 to its receipt? Hearing none, it will be admitted 4 into evidence. 5 6 0 (By Mr. Conrad) Now, Dr. Cummings, looking again at 606 HC, the total of those costs 7 for those customers on that list that are not 8 shown on the list 607 HC would nevertheless be 9 10 included in the costs that were assigned to the transportation customers, the LVS customers; is 11 12 that correct? 13 А Could you repeat that question, Mr. 14 Conrad. 15(By Mr. Conrad) I really would be 0 16 troubled to do so. Let me try it again, if I may. 17 Looking at 606 HC, the total of 18 those costs has been assigned to the costs 19 associated with LVS customers. Isn't that 20 correct? 21 I would presume that that is part of А 22 the EGM plan balances that are on the Company's books to the extent that this reflects a list as 23 of June 30th. 24 25 But you would agree with me, I 0

Page 2055 trust, that the list of customers that's attached 1 2 to 607 HC is somewhat longer? Ά Yes. 3 And you had previously indicated 4 0 5 that you recognized a couple three names, two or 6 three that you thought on 606 HC. Can you 7 identify -- or can you tell me if all the customers here on 606 are also on 607? 8 9 А No, I couldn't tell you, Mr. Conrad. 10 0 No way to know without going through line by line? 11 12 No, you'd have to go through line by А 13 line. But to the extent there are 14 0 15 customers and costs associated therewith on 606 16 that are not transportation customers shown on 607 HC, those customers' costs nonetheless would be 17 included in the cost that you've charged to the 18 19 LVS customers. Correct? Yes. But as I indicated, some of 20 А 21 those entries refer to a second meter at a 22 customer's location that may be an LGS meter, but 23 it's necessary because that -- that same 24 individual is a transportation customer through 25 another meter at that location to have that --

Hearing	7/1/2004
---------	----------

...

ł

į

1

L

1	Page 2056 that equipment in place to provide transportation
2	service.
3	Q Dr. Cummings, look, if you would, at
4	the last page of 606 HC. Down toward the bottom
5	of that, there's a looks like a little table of
6	cost factors?
7	A Yes.
8	Q You see that?
9	A Yes, sir.
10	Q And it does appear to me, without
11	identifying specific customers, that there are a
12	number that have something called an Ecat. And in
13	all those cases that same number has been pulled
14	that appears from that table. Would you agree?
15	A Yes.
16	Q And similarly, a Mini has costs
17	associated with it, and there are a number of
18	customers that just appear to have that cost
19	pulled over.
20	A Yes.
21	Q Now, do you know which of those cost
22	factors or costs is the meter that you're
23	referring to as kind of a secondary transportation
24	meter?
25	A No, I don't.
1	

Hearing 7/1/2004 Page 2057 1 Q Who would? 2 А I'm not sure, Mr. Conrad. Would Mr. Noack likely know? 3 0 4 А He might. 5 0 But you do understand that the conditions of transportation on MGE's tariff are 6 7 such that in order to become a transportation 8 customer, that they must pay for that equipment 9 themselves? Do you agree? 10 Α Up to a cap applied. 11 Q Up to a capital of 5,000. 12That's correct. Α 13 Q Any of those on 606 that appear to be above that number that we mentioned? 1415None of those were above 5,000. А 16 And those are the ones, if I 0 17 understand, 606, those are the ones the Company is 18 paying for as opposed to the customers; right? 19 А That's what the response indicates. 20 And 607, there are a number that are 0 21 over 5,000, aren't they? 22 Yes, and what's recorded in the А 23 Company's plan balance is the net of the customer 24 contribution. And frankly, I -- I cannot tell you 25 whether this, on 606, whether this cost number

Page 2058 1 represents the amount that's hitting the Company's 2 books or it's a total installed cost. I just do 3 not know, Mr. Conrad.

Q Well, if I read the Data Request correctly, item iii), state the cost of such equipment and installation, and then iv), state whether the costs of such equipment and installation were paid for, initially paid for by the customer or MGE. Did I read that right?

10 А That's correct. But my point is 11 when it says the cost of this equipment and 12 installation was paid by MGE, my problem is I 13 could not tell you whether this is the net cost 14amount that ultimately is recorded on the 15 Company's books. Whether that's the amount that 16 is shown in the exhibit or whether it is the total 17 cost prior to the customer contribution. I just do not know. 18

19 Now, as I understand one of the 0 20 issues that you have with our proposal, not really a proposal, but our comments of wishing to exclude 21 22 the costs, return costs associated with gas supply 23 inventories, is that you understand that a 24 transportation customer might become a sales 25 Might switch to becoming a sales customer.

Page 2059 customer. Is that correct? 1 2 Yeah, I think the terminology that I А 3 used is that the gas inventory provides some 4 backup capability since those customers can switch 5 to sales service. Now, are you familiar with the MGE 6 0 7 transportation tariff such that you could identify 8 it, sir? 9 I'm sorry, could you repeat the А 10 question? Are you familiar with the MGE 11 0 12 transportation tariff? Let's start there. 13 I have not reviewed it in intimate А 14detail in quite some time. I'm generally familiar 15 with it. 16 You might be able to identify it if 0 17 you looked at it, right? 18 А Oh, certainly, yes. 19 MR. CONRAD: Your Honor, at long 20 last, it's Exhibit 601. 21 JUDGE WOODRUFF: All right. (Exhibit 601 marked for 22 23 identification.) 24(By Mr. Conrad) Dr. Cummings, I 0 25 have placed before you what I have marked for

Page 2060 1 purposes of identification as Exhibit 601. Would 2 you identify that document, sir, please? 3 Α It is pages from the Company's 4 tariffs. Associated with large volume service. 5 And large volume service is, in 0 fact, the category under which transportation is 6 7 Is that correct? provided. 8 А That's correct. Other than the 9 school aggregation service, which is provided 10 through the rates provided for SGS and LGS. 11 Now, let me ask you, please, sir, to 0 12 turn to -- well, let me first ask this. What is the process that a transportation customer would 13 14 have to go through in order to become a sales 15 customer? 16 А I don't know. 17 0 But you've indicated that the supply 18 inventory is to be backup for that customer, but you're now saying you don't know the process? 19 20А That's correct. In the sense that I 21 see LVS customers who are sales customers, albeit not a large number, and the fact that those 22 23 numbers change from month to month, I surmise from 24 that that they can receive sales service. 25 Q Okay. Well, let's look at sheet 41.

Hearing '	7/1/2004
-----------	----------

1	Page 2061		
1 2	And specifically there is a paragraph that begins		
	in the tariff portion as opposed to the header and		
3	footer part of that. About midway down that		
4	paragraph, I see the language, customers must give		
5	the Company 12 months. Do you see that line?		
6	A Yes, sir.		
7	Q I don't want to burden the record,		
8	but would you just read that next sentence,		
9	please? That part that I started you on.		
10	A Beginning with the word customers		
11	must give?		
12	Q Yes.		
13	A Customers must give the Company 12		
14	months written notice to switch from the		
15	transportation service to a general sales service		
16	6 rate schedule, unless sales gas is otherwise		
17	available and the customer has paid the Company		
1.8	the incremental cost of providing such service in		
19	the period prior to when such notice would have		
20	otherwise become effective.		
21	Q So would you agree with me that		
22	there is no absolute right on the part of the		
23	transportation customer to simply return to sales		
24	service?		
25	A Frankly, Mr. Conrad, I'm not sure		

ï

i

i

Page 2062

I'm capable of answering that question, because I'm not sure the switch from transportation to a general sales service implies a switch from LV to non-LV or whether it's within this classification. I'm not enough of an attorney to interpret that, quite frankly.

Q Do you need to be an attorney to
8 interpret your tariffs?

9 A Well, when I see the words general 10 sales service rate, I think of LGS and residential 11 as distinct from LV.

Q But it's clear from this language that the Company may insist, if it chooses to and the circumstances are appropriate, not to instantaneously allow a transportation customer to switch to any kind of sales service. Is that correct?

18 Once again, I'm not trying to be А 19 hard to get along with, but I'm not confident that 20 I would say that, because the nomenclature 21 transportation service here may refer to this 2.2 large volume service rate schedule, and I'm not 23 sure what the intent nor the practice is. 24Certainly with respect to shifting from LV to LGS 25 schedule, that would be the case, for example.

Page 2063 Well, it's not your position, I take 1 0 2 it, that the Company consciously violates its tariffs. 3 Absolutely not. 4 А 5 0 Can we agree on that? 6 А I agree. Now, you also have indicated in your 7 0 8 comments in response to Mr. Johnstone's testimony 9 that the sales inventory that's maintained could 10also be distributed to transportation customers because it's needed for balance. Is that correct? 11 12 I don't think I said that. Α 13 0 Okay. Dr. Cummings, I think 14MR. CONRAD: 15 that's all I have for you. Thank you. 1.6 THE WITNESS: Thank you. 17 JUDGE WOODRUFF: Thank you. We're 18 due for a break. Let's come -- we'll break now 19 and come back at 10:35. 20 (Off the record.) 21 JUDGE WOODRUFF: Let's come to order 22 please. 23 MR. CONRAD: Judge? There's been 24called to my attention that I did not offer 601, 25 despite having held everyone in anticipation of

Fax: 314,644.1334

Page 2064 1 what it was going to be. I think, recalling Dr. 2 Cummings' cross examination and his answers, my sense is that he had identified this as pages from 3 MGE's tariff. 4 5 It obviously, Judge, is not the entire tariff, which is upstairs or downstairs or 6 wherever it is, but with his answers to that, I'd 7 offer 601. 8 9 JUDGE WOODRUFF: All right. 601 has 10been offered into evidence. Are there any 11 objections to its receipt? Hearing none, it will 12 be received into evidence. 13 All right. And continuing with 14cross examination, then, we'll move on to Jackson 15 County. 16CROSS EXAMINATION BY MR. FINNEGAN: 17Good morning, Dr. Cummings. Q I've 18 just got a few guestions for you. 19 One is with respect to the proposal 20 to keep the multi meter charge discount at a 21 certain rate, depending upon what happens to the full rate for the customer charge? 2.2 23 А Yes. 24Yeah. And I believe, if you look at 0 25 Exhibit 601, sheet 40, which is the first page,

Page 2065 1 the last paragraph on that page, this is the 2 current provision with respect to multiple meter 3 customers? 4 А Yes, it is. 5 And where it's now 50 percent, and 0 which results in a \$204.65 charge for multi meters б 7 beyond the first charge? 8 Α Correct. 9 So the customer pays \$409.30; is 0 10 that correct? For the first two meters, and then \$204.65 for the next --11 12 А Each additional. Each additional meter. In Central 13 0 14 Missouri State's case, that's 12 additional 15 meters; and in CMSU [sic] case, it's three additional meters? 16 17 That's my understanding. А 18 I'm sorry, UMKC's case. 0 19 А Yes. Yes. 20 And the proposal here that the 0 21 Company is now making is that to keep that 22 percentage at such a level so that whatever the 23 customer charge rate goes to, that the \$204.65 would be the result; is that correct? 24 25 А Yeah. So our -- there are two ways

	Page 2066		
1	of doing it. Either recalculate the percentage;		
2	or where the customer charge is shown several		
3	pages over, you could state an actual level.		
4	Either way. To get to that result.		
5	Q Okay. You indicated that there may		
6	be some customers, transportation customers or		
7	there may be some non-transportation customers in		
8	the LVS class at this point?		
9	A Yes, there are a small number.		
10	Q Would the Company have any objection		
11	to having a separate class just for transportation		
12	customers? Would it not make it easier to do		
13	allocations?		
14	A In the sense that the		
15	characteristics of those customers that happened		
16	to take sales service are very similar to those		
17	that take transportation service, not necessarily.		
18	To answer the question with respect		
19	to could you take the LV service class and create		
20	an LVS sales service and an LVS transportation		
21	service, certainly that could be done, but that		
22	would be a question better left to the Company in		
23	terms of their preferences.		
24	Q And you would not speak for the		
25	Company on that particular part?		

\_..\_ \_..\_.

```
Hearing 7/1/2004
```

Page 2067 1 No. I haven't discussed it with the А 2 Company. 3 MR. FINNEGAN: Okay. I'd like to approach the bench and have an exhibit marked? 4 5 JUDGE WOODRUFF: Certainly. 6 MR. FINNEGAN: I believe we are at 7 605? 8 MS. SHEMWELL: 8. I think. 608, I 9 believe. JUDGE WOODRUFF: It will be 608. 10 11 And for numbering, you are combined with Midwest 12 Gas? 13 MR. FINNEGAN: Yes. Yes. (Exhibit 608 marked for 1415 identification.) (By Mr. Finnegan) Dr. Cummings, do 16 0 you recognize this as something from your work 17 papers, despite the fact that there's a different 18 reference down there? 19 Yes, it looks very familiar. 20 А Ιt supports the information contained in footnote 12, 21 22 page 32 of my surrebuttal testimony. 23 Okay. I'd like to MR. FINNEGAN: offer this into evidence at this point. 24 25 Okay. 608 has been JUDGE WOODRUFF:

Hearing 7/1/2004		
1	Page 2068 offered into evidence. Are there any objections	
2	to its receipt? Hearing none, it will be received	
3	into evidence.	
4	Q (By Mr. Finnegan) Now, when we look	
5	at the Exhibit 608, you have listed here all the	
6	personnel involved in the large volume services;	
7	is that correct?	
8	A I asked the Company to provide me	
9	with a listing of those individuals who devote 100	
10	percent of their time to servicing the large	
11	volume service customers and those that that	
12	provide a substantial part of their of their	
13	time with respect to those services and to provide	
14	an estimate of the percentage of that time. This	
15	is what the Company produced for me.	
16	Q So it's your understanding that this	
17	list is complete, then, for the LVS class?	
18	A Well, in a sense no, in the sense	
19	that there may be other individuals who devote a	
20	substantially smaller portion of their time or	
21	than indicated here, there could be others.	
22	Q Somebody could do less than .25	
23	percent of their time?	
24	A 25 percent. The .25 down at the	
25	bottom is 25 percent. It just wasn't a percentage	

-----

. . .-

------

: 1

i

Page 2069 1 sign. 2 Q I appreciate that. Thank you. Now, 3 with respect to the gas supply personnel, is your 4 understanding that this is the -- this list is the 5 same as your -- you requested from the Company 6 with respect to gas supply personnel? 7 А Yes, sir. 8 0 Now, if you look at the large volume 9 service personnel, we've got two electronic 10 measurement specialists? 11 А Correct. 12 0 And a supervisor of electronic 13 measurement? 14Α Correct. 15 Q And I assume their job is to read 16 the meters? 17 А I don't know precisely what those individuals do. 18 19 0 Are you aware of how the meters are 20 read on the electronic gas measuring equipment? 21 А Just generally. It's transmitted electronically, not physically read. 22 23 0 Is it transmitted through a 24 telephone line that the customer supplies? 25 А Perhaps. But these individuals

MIDWEST LITIGATION SERVICES Phone: 1.800.280.DEPO(3376)

Page 2070 could be associated, for example, with maintaining 1 2 that equipment, checking its accuracy and the 3 like. 4 0 If you turn to Exhibit 601? Trv to 5 find the right page here. Sheet No. 71. The 6 monthly charge, the customer shall pay for the 7 operation and maintenance of the EGM equipment through a monthly facilities charge of \$25 for 8 9 each EGM device installed beginning at the time of 10 the installation. 11 А Yes. 12 0 Okav. Does the -- do the other 13 customers that have electronic metering pay for 14their own operation and maintenance? 15 Α Are you speaking about the AMR 16 facilities? 17 0 Right. The AMR facilities. 18 No, they do not. А 19 JUDGE WOODRUFF: Could you clarify 20 for me what's an AMR? 21 THE WITNESS: I'm sorry. Automated 22 meter reading. That is the facilities on the 23 standard sales customer classes that enable the 24Company to drive by with trucks and read the 25 meters without physically walking.

Page 2071 1 JUDGE WOODRUFF: Thank you. 2 0 (By Mr. Finnegan) Are you aware that on the electronic gas metering equipment that 3 4 there's a -- the telephone line that the customer 5 installs himself to provide the meter reading to 6 the Company? 7 А Yes, I understand that. 8 Q And the customer pays this -- this 9 telephone line monthly also? 10 А That's my understanding. 11 0 The AMR meters do not have this --12А They don't require a telephone line. 13 Right. Instead you have meter 0 readers that ride in trucks and drive up and down 14 15 the street and read the meters? 16 А That's my understanding. 17And when you look at the gas supply Q 18 personnel, you don't see anything listed here for 19 meter readers? 20 А Gas supply per se has nothing to do 21 with meter reading. 22 Well, but we look at the large Q 23 volume services personnel, and you have 24significantly more people involved in that than 25 you do in gas supply and providing gas service?

Page 2072 1 А Correct. 2 0 But we don't -- and you got meter 3 readers here. Somebody must get this telephone call that comes in from the electronic gas 4 5 metering, or measuring equipment, and -- and they record that, don't they? 6 7 Ά I'm not sure how it's recorded. 8 Q So you're not sure if they're 9 coordinated -- or if they're in here, in this 10 list? 11 I'm sorry, who are we talking about? А 12 The large volume service personnel. 0 13 А Okay. We've got a billing coordinator, a 140 15 manager of billing revenue listed under large 16 volume services personnel, but we don't see any billing coordinator or manager of billing and 17 18 revenue under the gas supply personnel. 19 Correct. And the -- the -- the А 20 point of comparison is that if the -- if the 21 Company got out of the gas supply business, i.e., 22 it was provided entirely by a third party 23 provider, those metering costs would still exist 24unless the Commission decided to charge just a 25 flat monthly rate for gas service. You'd still

	Page 2073
1	have to read the meters.
2	So what this was attempting to do
3	was isolate only the gas supply related personnel
4	as a point of comparison.
5	MR. FINNEGAN: That's all the
6	questions I have. Thank you.
7	JUDGE WOODRUFF: Thank you, Mr.
8	Finnegan. All right. For the cross examination,
9	then, Public Counsel?
10	MR. MICHEEL: Yes, Your Honor.
11	CROSS EXAMINATION BY MR. MICHEEL:
12	Q Dr. Cummings, is Public Counsel's
13	rate design proposal different from the results of
14	its class cost of service study?
15	A I'm not sure I understand that
16	question, Mr. Micheel.
17	Q Well, are you aware we've provided
18	class cost of service study?
19	A Yes, I am.
20	Q Are you aware we've also presented a
21	rate design proposal?
22	A A rate design proposal meaning
23	structuring the volumetric and the fixed monthly
24	charge pieces, is that what we're speaking to?
25	Q Yes.
1	

t

ļ

Hearing 7/1/2004 Page 2074 1 Right. А 2 0 And are you aware that Public 3 Counsel's rate design proposal is to go halfway to 4 the results of its class cost of service study? 5 That involves how many dollars will Α be allocated to the class, but not the design of 6 rates within the class. 7 8 Q Yes. 9 А Yes. And you're aware that's our 10 Q 11 proposal? I am aware of that allocation, yes, 12 А 13 sir. Recommendation, yes, sir. And is it correct that residential 14 0 15 is 85 percent of all of MGE's customers? 16 А Correct, sir. 17 Do you have a copy of your Q surrebuttal testimony? 18 19Α Yes. 20Q Could you turn to page 47 of that 21 testimony? 22 А Yes, sir. 23 And there you have a -- a table that 0 indicates -- that you developed with use of Ms. 2425 Meisenheimer's work papers; is that correct?

Page 2075 Yes, sir. 1 А 2 So you've reviewed Ms. 0 3 Meisenheimer's work papers; is that correct? 4 А At least portions of them. 5 MR. MICHEEL: Your Honor, I need to 6 get an exhibit marked, it will be Exhibit 231, the 7 Meisenheimer work papers. 8 JUDGE WOODRUFF: All right. 231. (Exhibit 231 marked for 9 identification.) 10 (By Mr. Micheel) Dr. Cummings, have 11 0 you -- do you have a copy of what's been marked as 12 Exhibit 231? 13 14А Yes, I do. And does that appear to be a copy of 15 Q Ms. Meisenheimer's work papers? 16 17 А It's at least some of them, Mr. 18 Micheel. I'm not sure whether it's all, but yes. 19 0 And are those the ones that you 20 reviewed in formulating this table? 21 А At least portions of them. Yes. 22 And my question to you is, sir, on 0 this table you have labeled base rates, gas costs, 23 24 things like that, and is it correct in Ms. 25Meisenheimer's work papers that she does not have

Hearing 7/1/2004 Page 2076 those type of labels? 1 2 А She may not, no. I extracted the 3 information. And so is it correct, for example, 4 0 5 on your table of weather mitigation versus 6 volumetric rate design, that's something that you created; isn't that correct? 7 8 No, I think her labels are, for А 9 example, customer charge and non-gas. If you add 10 customer charge together with non-gas, you would 11 come to my total called base rates. Her label gas is what I've labeled gas costs. 12 And those are revenues; isn't that 13 0 correct? On her work papers? Or do you know? 1415 А No, she has bill calculations on her 16 work papers. 17 So it -- it's your understanding 0 these are not revenues? 18 19 These are -- these are bills at the Α 20 usage -- average usage levels that were used to 21 develop them. 22 0 And those result from -- in 23 revenues, do they not? 24 А Yes. 25 Okay. And let me ask you, did you Q

Page 2077 -- did you speak with Miss Meisenheimer about what 1 were contained in her work papers and ask her what 2 3 they were? 4 А No. So you don't know if your 5 0 characterization here is correct, it's just based б 7 on your assumptions; isn't that correct? 8 А Well, it's based on my verification 9 of the accuracy of the calculation giving -- given 10 the rates that were used to develop these numbers. 11 0 One moment. With respect to this 12 portion of Witness Meisenheimer's work papers, is 13 it true that the only portion that is labeled by her as costs is PGA costs? 14I'm sorry, in the bill calculations, 15 А 16 I just see the label costs. I'm sorry, gas, not PGA costs. There is a total called PGA costs, but 17 18 19 0 Right. And that's the only place where the term cost appears; isn't that correct? 2.0 21 And that's my question. 22 А Yes. 23 MR. MICHEEL: Okay. Thank you very 24 much. 25 JUDGE WOODRUFF: Did you wish to

Page 2078 offer 231? 1 2 MR. MICHEEL: I do indeed, Your 3 Honor. 4 JUDGE WOODRUFF: 231 has been offered into evidence. Are there any objections 5 6 to its receipt? Hearing none, they will be 7 received into evidence. 8 All right. For further cross 9 examination, then, from Staff? 10 CROSS EXAMINATION BY MS. SHEMWELL: Dr. Cummings, in the mini opening 11 0 statements, people -- all the attorneys who gave 12 13 opening statements I believe said that reasonable 14persons can disagree as to which customers cause 15 particular costs. Would you agree with that? 16 I think it is correct that various А 17 analysts will have varying opinions on specific 18 cost. 19 Because they make judgments, right? Q 20 А That's part of the reason, yes. 21 0 Can reasonable persons also disagree as to how MGE's costs should be divided among the 22 23 classes? 24Yes. А 25 Q If gas isn't flowing on MGE's

MIDWEST LITIGATION SERVICES Phone: 1.800.280.DEPO(3376)

Hearing	7/1	/2004
---------	-----	-------

Page 2079 system, can large volume customers receive gas? 1 I'm not sure I understand the 2 А 3 question. In other words, the transportation 4 0 5 customers can only receive gas because MGE has gas 6 flowing on its system. 7 MR. CONRAD: Objection, lacks --8 calls for speculation. JUDGE WOODRUFF: I'll overrule the 9 objection, but I am a little confused about -- you 10 11 might want to clarify your question. 12 (By Ms. Shemwell) My question is, 0 there has to be gas flowing on the system for, 13 frankly, anyone to get gas, right? 14 Well, I'm not an engineer, but it's 15 А 16 my understanding that you've got some minimal pressure issues and that sort of thing in order to 17 have deliveries to customers, if that's what 18 you're referring to. 19 Would you agree with me that MGE's 20 0 21 gas supply personnel buys a large percentage of 22 gas that flows on the system? 23 А Repeat that question? Does MGE gas supply personnel buy a 2.4 0 large supply of the gas that flows on the system? 25

Fax: 314.644.1334

Page 2080 1 Α I really haven't looked at any data 2 to enable that calculation. But the -- MGE gas supply personnel, 3 0 4 that is their whole job is to buy gas to flow on 5 the system; is that right? 6 To serve the sales customers, yes. А Do you look at whether some LVS 7 0 customers are weather sensitive? 8 9 А Yes, I did. And in my weather 10 adjustment I did an individual customer analysis 11 for the six year period for each customer, if that 12 data was available for such a period for each 13 customer, to determine weather sensitivity. 14 Q Are some LVS customers weather 15 sensitive? 16 Α Some. 17 Q Do you have a percentage? No, I do not. The only point of 18 А reference that I would suggest is to look at the 19 size of the weather adjustment for the LV class 20 21 versus the remaining classes, and it is -- it is 22 very small. 23 In your development of a weather 0 24 adjustment, was there an adjustment for the 25 residential class?

Hearing 7/1/2004