

0

FILED²

MAY 30 2001

Missouri Public
Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Missouri Gas Ener-)
gy of Kansas City, Missouri re-)
quested authority to file a tariff)
reflecting a change in rates for)
its Missouri customers)

Case No. GR-2001-292

MIDWEST GAS USERS' ASSOCIATION
SUPPLEMENTAL STATEMENT OF ISSUES
ON CLASS COST OF SERVICE

Pursuant to earlier Commission orders, Intervenor
Midwest Gas Users' Association (Midwest) submits its statement of
additional issues in this case, particularly on the issue of
class cost of service allocation and rate design.

Midwest has been advised that a statement of other
issues will be submitted by other parties including Midwest, and
Midwest wishes to supplement this portion of the listing of
issues to give more guidance to the Commission in making its
decisions. This additional statement is as follows:

7.^{1/} Class Cost-of-Service/Class Revenue Allocations.

A. Class Cost of Service Studies

- i. In view of the MGE proposal to spread the revenue
increase on existing rate class revenue levels,
what weight, if any, should be given to class cost
of service?
- ii. Is one of the three class cost of service studies
presented in this case more accurate than the others?

^{1/}This number is understood to correspond to the numbering
scheme on the more comprehensive statement of issues that is
being separately submitted. If it does not because issues have
been added or deleted from that listing, the proper number should
be inserted.

- iii. In consideration specifically to the issues addressed in the Rebuttal Testimony of Midwest's witness, can specific differences in cost assignment and allocation methods account for the difference between the results of two or more cost of service studies?
- iv. Is it legal to not use cost of service results?
- v. Are there differences between the cost of service study results presented in this case pertaining to costs other than joint or common costs?
- vi. If cost of service is given a small amount of weight or no weight in the final setting of rate class revenue levels, what is the benefit of expending the resources to perform cost of service studies?
- vii. Can a cost of service study be used for reasons other than specifically to set rate class revenue levels - i.e. to assist in setting monthly Customer or Service charge levels?

B. Establishing Class Revenue Levels

- i. Should rate class revenue levels be based on class cost of service?
 - a. If so, how much weight should be given?
 - b. If not, what legal or regulatory guidelines should be used in setting class revenue levels?
 - c. Aside from historical precedent, are there other reasons that a class cost of service study should not be used as the primary factor in setting rate levels?
 - d. What weight should be given to factors other than cost in setting class rate levels?
- ii. Is there a legal basis for not setting class revenue levels on the basis of costs?
- iii. In the general body of knowledge pertaining to gas local distribution company rate regulation, are rate class revenue levels set at or near the amounts included in a cost of service study?

C. Specific Items of Costs to be Allocated

- i. Joint and Common Cost Items
 - a. What method should be used to allocate mains among customer classes?
 - b. What method should be used to allocate meters and services among customer classes?
- ii. Major Cost Items Other than Mains to Be Allocated or Assigned
 - a. If cost causality is to be observed, to what class of customers should **AMR related costs including General Plant, Intangible Plant, associated Depreciation, and other related costs** be allocated or assigned? If cost causality is not to be observed, what lawful principle should be used to allocate these costs?
 - b. If cost causality is to be observed, to what class of customers should the value of **Storage Gas Inventory in Working Capital** be allocated or assigned? If cost causality is not to be observed, what lawful principle should be used to allocate these costs?
 - c. If cost causality is to be observed, to what class of customers should the value of **Working Cash for Purchased Gas in Working Capital** be allocated or assigned? If cost causality is not to be observed, what lawful principle should be used to allocate these costs?
 - d. If cost causality is to be observed, what use should be made and what weight should be given to specific investment information for assignment of **Meters, Services and Regulators**? If cost causality is not to be observed, what lawful principle should be used to allocate these costs?
 - e. If cost causality is to be observed, to what class of customers should the **Other Operating Revenues** be allocated or assigned. If cost causality is not to be observed, what lawful principle should be used to allocate these costs?
 - f. If cost causality is to be observed, to what class of customers should **Gas Supply related costs included in A&G Expenses** be allocated

or assigned? If cost causality is not to be observed, what lawful principle should be used to allocate these costs?

- g. If cost causality is to be observed, to what class of customers should the value of the **Gas component of Uncollectibles Expense** be allocated or assigned? If cost causality is not to be observed, what lawful principle should be used to allocate these costs?
- h. If cost causality is to be observed, to what class of customers should the costs of **Sales Expenses** be allocated or assigned? If cost causality is not to be observed, what lawful principle should be used to allocate these costs?

Midwest submits these expanded issues statements as a more complete statement of the issues that it has and intends to litigate in this case.

Respectfully submitted,

FINNEGAN, CONRAD & PETERSON, L.C.

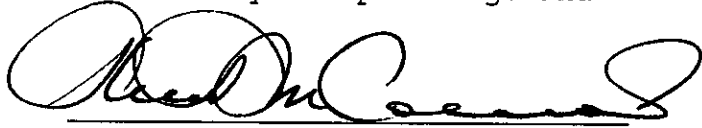


Stuart W. Conrad 23966
3100 Broadway, Suite 1209
Kansas City, Missouri 64111
(816) 753-1122
Facsimile (816) 756-0373
Internet: stucon@fcplaw.com

ATTORNEYS FOR MIDWEST GAS USERS'
ASSOCIATION

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing pleading by hand or prepaid overnight delivery to all parties by their attorneys of record as disclosed by the pleadings and orders herein.

A handwritten signature in black ink, appearing to read "Stuart W. Conrad", written over a horizontal line.

Stuart W. Conrad

Dated: May 30, 2001