Exhibit No.: _____
Issues: Revenue Adjustments and Rate Design
Witness: F. Jay Cummings
Sponsoring Party: Missouri Gas Energy
Case No.: GR-2001-292

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2001-292

UPDATED TEST YEAR DIRECT TESTIMONY OF

F. JAY CUMMINGS

Jefferson City, Missouri

January 31, 2001

UPDATED TEST YEAR DIRECT TESTIMONY OF F. JAY CUMMINGS

CASE NO. GR-2001-292

January 31, 2001

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is F. Jay Cummings. My business address is 504 Lavaca, Suite 800, Austin, Texas 78701.

Q. DID YOU PROVIDE DIRECT TESTIMONY IN THIS PROCEEDING ON NOVEMBER 7, 2000?

A. Yes.

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. I explain the revenue adjustments used in developing MGE's revenue requirement for the updated test year ended December 31, 2000. I also discuss the proposed allocation of the revenue increase to customer classes and the rate structures to collect the increases from each class based on the updated test year.

1. REVENUE ADJUSTMENTS

Q. WHAT SCHEDULES ARE YOU SPONSORING?

A. I am sponsoring Schedules H-1 and H-2 included with Company witness Noack's January 31, 2001 testimony. Schedule H-1 derives the updated test year margin by removing gross receipts taxes, unbilled revenue, and cost of gas revenue from total per book revenue. Schedule H-2 contains the various adjustments to updated test year margin to make it representative for the purpose of setting rates in this proceeding.

Q. PLEASE EXPLAIN HOW THE ADJUSTMENTS SHOWN ON SCHEDULE H-2 ARE DERIVED COMPARED TO THE ADJUSTMENTS SHOWN ON SCHEDULE H-2 OF THE COMPANY'S NOVERMBER 7, 2000 FILING?

A. The methodologies employed for each of the revenue adjustments in the initial test year ended June 30, 2000 reflected in the November 7, 2000 filing are retained. All adjustments have been updated to reflect the test year ended December 31, 2000 based on these methods.

2. REVENUE ALLOCATION AND RATE DESIGN

Q. PLEASE DESCRIBE THE COMPANY'S APPROACH TO SPREADING THE REQUIRED REVENUE INCREASE TO CUSTOMER CLASSES FOR THE UPDATED TEST YEAR COMPARED TO THE COMPANY'S NOVERMBER 7, 2000 FILING.

A. The Company originally proposed to spread the required revenue proportionately to all customer classes. This proposal is retained and is applied to as adjusted revenue for the test year ended December 31, 2000. The resulting required revenue increase for each of the customer classes is shown on Schedule FJC-1, Updated Test Year.

Q. HAS THE COMPANY MADE ANY CHANGES TO THE PROPOSED RATE DESIGN TO COLLECT THE REQUIRED REVENUE INCREASES?

A. Rates reflecting the updated required revenue increases are designed using the same minimum bill or customer charge, as applicable, initially proposed for each customer class. Required revenue changes not recovered through proposed minimum bills or customer charges for each class are recovered through adjusted commodity rates using the same rate structures as initially proposed.

Q. PLEASE DESCRIBE THE RESIDENTIAL AND GENERAL SERVICE BILL IMPACTS RESULTING FROM THE PROPOSED RATE DESIGN USING THE UPDATED TEST YEAR REQUIRED REVENUE INCREASES.

A. The following table shows the average residential and small general service customer bill impacts for average usage over the test year and for January bills, both based on the June 30, 2000 test year average cost of gas:

Customer Class	Average Monthly Bill				Average January Bill			
			Change				Change	
	Current	Proposed	$	%	Current	Proposed	$	%
Residential	47.48	52.70	5.22	11	100.98	106.12	5.14	5
Small General Service	118.19	126.81	8.61	7	267.45	274.30	6.85	3
Large General Service	2,374.74	2,569.42	194.68	8	5,453.45	5,844.98	391.53	7

The initial test year cost of gas is used in these bill comparisons to permit a straightforward comparison to the bill impacts associated with the Company's June 30, 2000 revenue requirement and rate design.

Q. IN YOUR NOVEMBER 7, 2000 DIRECT TESTIMONY, YOU ILLUSTRATED THE IMPACTS OF THE PROPOSED RESIDENTIAL RATE STRUCTURE COMPARED TO COLLECTING THE INCREASE THROUGH A STRUCTURE WITH THE CURRENT CUSTOMER CHARGE AND HIGHER VOLUMETRIC RATES. PLEASE PROVIDE A SIMILAR COMPARISON BASED ON THE UPDATED TEST YEAR REQUIRED INCREASE AND RESULTING RATES.

A. The average residential bill over the year increases about $5.22 per month under the proposed rate design. With this rate design, the monthly increases (with normal weather) range from $5.14 per month in January to $5.48 per month in August. By contrast, a rate design based on the current customer charge and only volumetric rate increases produces monthly increases that range from $1.22 per month in August to $12.86 per month in January. In January, the coldest month of the year, the impacts of weather variations are magnified if minimum bill structure is not adopted. The following table shows average January residential bill impacts with normal, colder than normal, and warmer than normal weather:

	Increase With:	
	Proposed Rate Design	Volumetric Based Increase
Normal Weather	$ 5.14	$ 12.86
25% Colder than Normal	5.11	15.78
25% Warmer than Normal	5.17	9.93

This winter's weather demonstrates that deviations from normal of 25 percent or more may indeed occur. During December 2000, the last month of the updated test year, Kansas City and Joplin heating degree days were about 34 percent and 40

percent, respectively, colder than normal. Customers will pay more under the proposed rate design in the months of May through November. However, bills are relatively low in these warmer weather months due to low usage. By paying more during this time of the year, customers obtain greater certainty about the size of their bills in the winter, a time when bills are not only high but also are extremely variable, especially with the current rate structure.

Q. DOES THE COMPANY PROPOSE ANY CHANGES TO THE SERVICE CHARGES OR THE CUSTOMER SERVICE EFFECTIVENESS/GAS SAFETY PROGRAM EXPERIMENTAL INCENTIVE PLAN AS CONTAINED IN ITS NOVEMBER 7, 2000 FILING?

A. No.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, at this time.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's Tariff Sheets Designed to Increase Rates for Gas Service in the Company's Missouri Service Area.	))))	Case No. GR-2001-292

AFFIDAVIT OF F. JAY CUMMINGS

STATE OF TEXAS)
) ss.
COUNTY OF TRAVIS)

F. Jay Cummings, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Updated Test Year Direct Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Updated Test Year Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

F. JAY CUMMINGS

Subscribed and sworn to before me this 31st day of January 2001.

LORI GAMMAGE
Notary Public, State of Texas
My Commission Expires
JULY 3, 2001

Notary Public

My Commission Expires: July 3, 2001

Schedule FJC-1, Updated Test Year

MISSOURI GAS ENERGY
TEST YEAR ENDED DECEMBER 31, 2000

ALLOCATION OF REVENUE INCREASE TO CLASSES

Customer Class	Unadjusted Revenue	Revenue Adjustments	Adjusted Revenue	Percentage of Total	Revenue Increase
Residential	88,859,397	2,985,519	91,844,916	69.640%	27,773,827
Small General Service	25,330,174	967,914	26,298,088	19.940%	7,952,520
Large General Service	2,911,738	12,012	2,923,751	2.217%	884,140
Large Volume Service	10,772,037	43,475	10,815,512	8.201%	3,270,602
Unmetered Gas Lights	3,033	0	3,033	0.002%	917