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June 24, 2002

The Honorable Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102-0360

Re: Case No. EC-2002-1

Dear Judge Roberts:

Please find enclosed for filing on behalf of Laclede Gas Company in the above-referenced matter the original and eight copies of the Surrebuttal Testimony of Michael T. Cline.

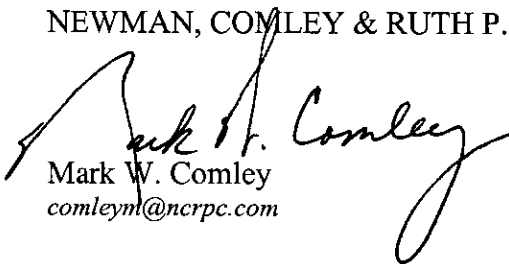
Would you please see that this filing is brought to the attention of the appropriate Commission personnel.

Thank you.

Sincerely,

NEWMAN, COMLEY & RUTH P.C.

By:



Mark W. Comley
comleym@ncrpc.com

MWC:ab

Enclosure

cc: Office of Public Counsel
General Counsel's Office
All parties of record
Michael C. Pendergast

Exhibit No.:
Issue: Residential Rate Design
Witness: Michael T. Cline
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Laclede Gas Company
Case No.: EC-2002-1

LACLEDE GAS COMPANY

SURREBUTTAL TESTIMONY

OF

MICHAEL T. CLINE

IN

CASE NO. EC-2002-1

**UNION ELECTRIC COMPANY d/b/a/
AmerenUE**

**St. Louis, Missouri
June 24, 2002**

My Commission expires: _____

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1 Q. Have you previously submitted testimony before regulatory bodies?

2 A. Yes. I have testified before this Commission, the Illinois Commerce Commission and the
3 Federal Energy Regulatory Commission.

4 Q. What is the purpose of your surrebuttal testimony?

5 A. The purpose of my testimony is to explain why certain aspects of the proposed energy
6 charges for the Residential Service rate schedule of Ameren Union Electric ("UE"), as
7 sponsored by UE witness Kovach in his rebuttal testimony, should not be approved by the
8 Commission. In addition, I will address Laclede's concern regarding the Rider E proposed
9 by UE.

10 Q. Please describe the energy charges that are currently in effect for the Residential Service
11 rate schedule.

12 A. Residential customers currently pay an energy charge per kWh which varies depending on
13 the season. In the summer, June through September, the energy charge is \$.08130 per
14 kWh for all kWhs consumed. In the winter, October through May, there are two rate
15 blocks. For the first 750 kWh consumed, the charge is \$.05770 per kWh. For all con-
16 sumption over 750 kWh in a single winter month, the charge, otherwise known as the
17 "tail block" charge, is \$.03891 per kWh.

18 Q. Please describe the energy charges that UE proposes for Residential Service.

19 A. UE proposes to increase the summer energy charge to \$.09480 per kWh. On the other
20 hand, UE proposes to decrease the winter energy charges for the first and second block
21 energy charges to \$.05410 and \$.03700 per kWh, respectively.

22 Q. Why do you believe the Commission should reject this proposal?

1 A. As you can see from Schedule No.1, UE proposes to increase the summer energy charge
2 by 16.6% and lower the initial block and tail block winter energy charges by 6.2% and
3 4.9%, respectively. The Commission should not approve a proposal under which resi-
4 dential customers are charged markedly different amounts based on whether or not they
5 are captive customers of UE.

6 Q. What do you mean?

7 A. It is no secret that there are no practical energy alternative sources for the vast majority of
8 the residential energy needs served by UE--for lights, fans and numerous other appli-
9 ances. And, even though gas air conditioning units exist, they have not developed into a
10 competitive alternative to electric air-conditioning in the residential market. Thus, UE can
11 increase the rates for these energy uses and expect very little, if any, reduction in usage.
12 Simply put, customers using electricity for these uses are captive to UE. Quite the oppo-
13 site is true for electric space heating. There are other energy sources, notably natural gas,
14 with which UE has to compete. To the extent UE can shift revenues to non-heating loads
15 and away from space heating, its rates for space heating become more attractive which
16 may encourage customers to choose electricity over natural gas. Laclede is willing to
17 compete with UE for heating load but the Commission should not provide UE with an ar-
18 tificial rate design advantage that comes at the expense of UE's captive customers.

19 Q. Is such a proposal appropriate from a customer-impact standpoint?

20 A. No. The proposal would increase customer bills during summer periods when customers
21 are already facing higher bills because of usage-related considerations. This will only
22 make it more difficult for low income customers to receive critical air-conditioning serv-
23 ices when the need for such service is greatest.

1 Q. What do you recommend?

2 A. I recommend that each Residential Service rate energy charge be adjusted by the same
3 percentage as the overall percentage change required for all energy charges in the Resi-
4 dential Service rate. My recommended rates, based on the residential revenue responsi-
5 bility proposed by Ameren, are set forth on Schedule No. 2. My proposed rates would
6 vary depending on the residential revenue responsibility ultimately approved by the
7 Commission. Even though, with the rates illustrated in Schedule No. 2, the summer en-
8 ergy charge increases under Laclede's proposal, the percentage increase in such charge is
9 substantially less than under the UE proposal.

10 Q. Please briefly explain the purpose of UE's proposed Rider E.

11 A. Rider E is used to bill those customers who have an electrical generation source other
12 than UE yet still require a connection to UE for standby, back-up or supplemental gen-
13 eration purposes.

14 Q. What is your concern regarding UE's proposed Rider E?

15 A. We have several problems with the proposal advanced by UE in its rebuttal testimony,
16 most of which we are hopeful can be resolved in UE's negotiations with interested parties
17 regarding this service. However, one remaining issue for Laclede is that UE's proposed
18 Rider E indicates that such service will be made available to customers "at a service volt-
19 age to be selected by Company".

20 Q. Please explain.

21 A. If under UE's proposal a customer who is on secondary voltage is required to switch to
22 primary voltage, the cost to the customer of making such a switch may deter the customer
23 from using Rider E. Since Laclede is the supplier or potential supplier of gas to custom-

1 ers who may use natural gas for some of their electrical generation needs, Laclede is op-
2 posed to any provision that would unnecessarily restrict the availability of Rider E.

3 Q. Does this complete your testimony?

4 A. Yes, it does.

Schedule No. 1

**AmerenUE-Missouri
Case No. EC-2002-1
Residential Service Rate
Energy Charges (per Kwh)**

	<u>Present</u>	<u>Ameren Proposal</u>	<u>Difference</u>	<u>% Difference</u>
Summer	\$0.08130	\$0.09480	\$0.01350	16.6%
Winter				
0-750 Kwh	\$0.05770	\$0.05410	(\$0.00360)	-6.2%
All Kwh over 750	\$0.03891	\$0.03700	(\$0.00191)	-4.9%

Schedule No. 2

**AmerenUE-Missouri
Case No. EC-2002-1
Residential Service Rate
Energy Charges (per Kwh)**

	<u>Present</u>	<u>Laclede Proposal*</u>	<u>Difference</u>	<u>% Difference</u>
Summer	\$0.08130	\$0.08538	\$0.00408	5.0%
Winter				
0-750 Kwh	\$0.05770	\$0.06059	\$0.00289	5.0%
All Kwh over 750	\$0.03891	\$0.04086	\$0.00195	5.0%

* Based on the residential revenue responsibility proposed by Ameren