

**STATE OF MICHIGAN**

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

\* \* \* \* \*

In the matter of the application of )  
**MICHIGAN GAS UTILITIES CORPORATION** )  
for authority to increase retail natural gas rates. )  
\_\_\_\_\_ )

Case No. U-15990

DIRECT TESTIMONY OF

JOYLYN C. HOFFMAN MALUEG

FOR

MICHIGAN GAS UTILITIES CORPORATION

July 1, 2009

**STATE OF MICHIGAN**

**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

\* \* \* \* \*

In the matter of the application of )  
**MICHIGAN GAS UTILITIES CORPORATION** )  
for authority to increase retail natural gas rates. )  
\_\_\_\_\_ )

Case No. U-15990

**QUALIFICATIONS  
OF  
JOYLYN C. HOFFMAN MALUEG  
PART I**

1 **Q. Please state your name, position and business address.**

2 A. My name is Joylyn C. Hoffman Malueg. My business address is Integrys Business  
3 Support, LLC ("IBS"), 700 North Adams Street, P.O. Box 19001, Green Bay, WI  
4 54307-9001. I am a Rate Case Consultant in the Regulatory Affairs Department of  
5 Integrys Energy Group, Inc. ("Integrys"). Both IBS and Michigan Gas Utilities  
6 Corporation ("MGUC") are wholly-owned subsidiaries of Integrys. Integrys resulted  
7 from the February 21, 2007 merger between WPS Resources Corporation and  
8 Peoples Energy Corporation.

9  
10 **Q. For whom are you providing testimony?**

11 A. I am providing testimony on behalf of MGUC.  
12

13 **Q. Please describe briefly your educational, professional, and utility background.**

14 A. I am a 1999 graduate of the University of Wisconsin – Green Bay where I received a  
15 Bachelor of Science Degree in Mathematics with a Statistical emphasis. I received  
16 my Master of Business Administration degree from Cardinal Stritch University,  
17 Milwaukee, Wisconsin, in February 2006. I am currently working towards the  
18 professional designation of Certified Management Accountant ("CMA") through the

1 Institute of Management Accountants (“IMA”). As of December 2008, I have  
2 completed three of the four professional examinations required to obtain the  
3 certification, and plan on testing for the fourth examination in 2009.

4  
5 In March of 2001, I was hired by Wisconsin Public Service Corporation (“WPS Corp”) as a Revenue Requirements Forecaster in the Rates and Economic Development  
6 Department. While working as a Revenue Requirements Forecaster, I was primarily  
7 responsible for revenue requirements and cost of service analyses pertaining to  
8 WPS Corp’s wholesale jurisdiction. In October of 2003, my job title changed to Rate  
9 Analyst within the Regulatory Affairs department. My primary job responsibilities  
10 during that time related to revenue requirements analyses for WPS Corp’s Michigan  
11 retail jurisdiction, as well as performing revenue requirement analyses and cost of  
12 service studies for Upper Peninsula Power Company (“UPPCO”). In December  
13 2006, I became a Rate Case Consultant within the Regulatory Affairs Department.  
14 Currently, my primary job duties consist of performing cost of service study analyses  
15 for all regulated Integrys subsidiaries. I am also responsible for conducting the  
16 revenue requirement analyses for WPS Corp’s Michigan retail electric and gas  
17 jurisdictions.  
18

19  
20 **Q. Have you previously testified before any regulatory agency?**

21 A. Yes, I have. I have filed testimony on behalf of WPS Corp, UPPCO or MGUC before  
22 the Michigan Public Service Commission (“the Commission”) in Case Nos. U-14410,  
23 U-14745, U-15352, U-15549, and U-15988. I have filed testimony on behalf of WPS  
24 Corp before the Public Service Commission of Wisconsin (“PSCW”) in rate case  
25 Docket No. 6690-UR-119, before the Minnesota Public Utilities Commission  
26 (“MPUC”) on behalf of Minnesota Energy Resources Corporation (“MERC”) in rate  
27 case Docket No. G007,011/GR-08-835, and also before the Illinois Commerce

1 Commission ("ICC") on behalf of The Peoples Gas Light and Coke Company ("PGL")  
2 and North Shore Gas Company ("NSG") in rate case Docket Nos. 09-0166 and 09-  
3 0167. In addition, I have participated in the preparation of various accounting and  
4 filing exhibits for WPS Corp, UPPCO, MGUC, MERC, PGL and NSG for presentation  
5 to the PSCW, MPSC, MPUC, FERC, and the ICC.

**JOYLYN C. HOFFMAN MALUEG  
DIRECT TESTIMONY  
PART II**

1 **Q. What is the purpose of your pre-filed direct testimony?**

2 A. The purpose of my pre-filed direct testimony is to discuss and sponsor the class cost  
3 of service studies ("COSS") I completed for MGUC for the 2010 projected test year  
4 and the 2008 historic test year.

5

6 Mr. David J. Tyler's pre-filed direct testimony relies on the results of the COSS for  
7 the 2010 projected test year to develop MGUC's proposed rate design.

8

9 **Q. Are you sponsoring any exhibits in this proceeding?**

10 A. Yes, I am. I am sponsoring:

11 1. Exhibit ("Ex.") A-6 (JCHM-1), Schedules F1.1 through F1.12, and

12 2. Ex. A-16 (JCHM-2), Schedules F1.1 through F1.9.

13

14 These exhibits are the COSS prepared for MGUC, along with associated allocation  
15 methodologies, supplemental analyses, and data. The following testimony explains  
16 these studies.

17

18 **Q. Were these exhibits prepared by you or under your direction and supervision?**

19 A. Yes, they were.

20

21 **Q. Please describe Ex. A-6 (JCHM-1), Schedules F1.1 through F1.11.**

22 A. Schedule F1.1 contains the MGUC 2010 COSS - General Summary as required by  
23 the Commission's Orders dated December 23, 2008 and February 20, 2009 issued  
24 in Case No. U-15895.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

Schedule F1.2 contains the MGUC 2010 COSS - Detailed Summary.

Schedule F1.3 contains the MGUC 2010 COSS - Individual Rate Schedule Revenue Requirement and Rate Base Components.

Schedule F1.4 contains the MGUC 2010 COSS – Consumption Costs by Billing Unit.

Schedule F1.5 contains the MGUC 2010 COSS – Functional Analysis by Rate Schedule.

Schedule F1.6 contains the MGUC 2010 COSS - Allocation Factors.

Schedule F1.7 contains the MGUC Account 380: Average Cost per Service Line Analysis, based upon 2008 historic test year data.

Schedule F1.8 contains the MGUC Account 381: Cost per Meter Analysis, based upon historic data for the year ending April 2009.

Schedule F1.9 contains the MGUC 2010 COSS - Classification & Functionalization of MGUC Costs and Investment.

Schedule F1.10 contains the MGUC 2010 COSS – Translation of Distribution O&M FERC Accounts to Plant Accounts.

Schedule F1.11 contains the MGUC Transmission Mains Zero-Intercept Regression Analysis for FERC Account 367, based upon 2008 historic test year data.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

Schedule F1.12 contains the MGUC Distribution Mains Zero-Intercept Regression Analysis for FERC Account 376, based upon 2008 historic test year data.

**Q. Please describe Ex. A-16 (JCHM-2), Schedules F1.1 through F1.9.**

A. Schedule F1.1 contains the MGUC 2008 COSS - General Summary as required by the Commission's Orders dated December 23, 2008 and February 20, 2009 issued in Case No. U-15895.

Schedule F1.2 contains the MGUC 2008 COSS - Detailed Summary.

Schedule F1.3 contains the MGUC 2008 COSS - Individual Rate Schedule Revenue Requirement and Rate Base Components.

Schedule F1.4 contains the MGUC 2008 COSS – Consumption Costs by Billing Unit.

Schedule F1.5 contains the MGUC 2008 COSS – Functional Analysis by Rate Schedule.

Schedule F1.6 contains the MGUC 2008 COSS - Allocation Factors.

Schedule F1.7 contains the MGUC Account 381: Cost per Meter Analysis, based upon historic data for the year ending December 2007.

Schedule F1.8 contains the MGUC 2008 COSS - Classification & Functionalization of MGUC Costs and Investment.

1 Schedule F1.9 contains the MGUC 2008 COSS – Translation of Distribution O&M  
2 FERC Accounts to Plant Accounts.

3  
4 **General Information**

5 **Q. What is the purpose of a COSS?**

6 A. The purpose of a COSS is to identify the revenues, costs and profitability for each  
7 rate schedule. The results of the COSS provide the data necessary to design cost-  
8 based rates using an embedded cost methodology.

9

10 **Q. How should a COSS be performed?**

11 A. Cost causation is the fundamental principle applicable to all cost studies for  
12 purposes of allocating costs to rate schedules. The most important theoretical  
13 principle underlying a COSS is that cost incurrence should follow historical  
14 embedded cost causation. The costs that customers become responsible to pay  
15 should be those costs that the particular customers caused the utility to incur  
16 because of the characteristics of the customers' usage of utility service. By  
17 performing a COSS in this manner, it can then be used in determining how costs  
18 should be recovered from rate schedules through rate design.

19

20 **Q. Please explain the procedures used to develop the COSS shown in the various**  
21 **Schedules of Exs. A-6 (JCHM-1) and A-16 (JCHM-2).**

22 A. In general, preparing a COSS involves three major steps:

- 23 a. Cost functionalization,  
24 b. Cost classification; and  
25 c. Cost allocation

26 of the utility's system costs to the rate schedules.

27

1 The first step, cost functionalization, identifies and separates plant and expenses into  
2 specific categories based on their purpose and various characteristics of utility  
3 operation. Typically, these plant and expenses are functionalized by the Uniform  
4 System of Accounts. These accounts group plant and expenses into their various  
5 functions, which for MGUC includes Production (which incorporates Storage related  
6 items), Transmission, Distribution, and Customer.

7

8 Step two, cost classification, further separates the functionalized plant and expenses  
9 into the categories based upon how they are incurred. These classifications consist  
10 of:

- 11 1. Commodity related, which can be further broken down into the  
12 subcategories of:
  - 13 a. Purchased Gas Cost, and
  - 14 b. Gas Supply Acquisition Cost,
  - 15
  - 16
  - 17
- 18 2. Demand, or capacity related, which can be further broken down into the  
19 subcategories of:
  - 20 a. Production demand,
  - 21 b. Storage demand, and
  - 22
  - 23 c. Transmission & Distribution demand, and
  - 24
  - 25
  - 26
- 27 3. Customer related, which can be further broken down into the  
28 subcategories of:
  - 29 a. Transmission & Distribution Fixed cost, and
  - 30
  - 31 b. Enhanced Services.
  - 32
  - 33

34 Commodity related costs are those costs that vary with the throughput sold to, or  
35 transported for, customers. For example, included in the COSS are commodity  
36 related costs such as natural gas production and gathering. However, when, as is  
37 the case with MGUC, a gas utility's cost of gas is recovered through a one-for-one

1 mechanism, very little of its remaining delivery service cost structure is commodity  
2 related.

3

4 Demand related costs are incurred to service the peak demand of the system.  
5 Examples of costs classified as demand include manufactured gas clean-up costs,  
6 structures and improvements, measuring and regulation equipment, and a portion of  
7 transmission and distribution mains.

8

9 Customer related costs are incurred for a customer to be attached to the distribution  
10 system, meter any gas usage, and maintain the customer's account. Customer  
11 related costs are found to vary with the number of customers, regardless of the  
12 customers' gas consumption. Examples of costs classified to the customer  
13 classification include distribution services, meters, regulators, a portion of  
14 transmission and distribution mains, customer billing and accounting, and customer  
15 information expenses.

16

17 The final step of preparing a COSS is allocation of each functionalized and classified  
18 cost element to the rate schedules. Costs that are classified to the commodity cost  
19 element are typically allocated to rate schedules using an allocation factor based  
20 upon the rate schedules' gas usage, or throughput. Costs that are classified to the  
21 demand cost element are typically allocated to rate schedules using an allocation  
22 factor based upon the rate schedules' demand imposed upon the system during  
23 specific peak days. Costs that are classified to the customer cost element are  
24 typically allocated to rate schedules using an allocation factor based upon customer  
25 counts and, in some instances, customer counts that are weighted to reflect, for  
26 example, differences in metering costs amongst rate schedules.

27

1 **Q. Please explain the considerations relied upon in determining the cost**  
2 **allocation methodologies that are used to perform a COSS.**

3 A. As stated earlier, in order to allocate costs within any COSS, the factors that cause  
4 the costs to be incurred must be identified and understood. Additionally, the cost  
5 analyst needs to develop data in a form that is compatible with, and supportive of,  
6 rate design proposals. The availability of data for use in developing alternative cost  
7 allocation factors is also a consideration. In evaluating any cost allocation  
8 methodology, appropriate consideration should be given to whether it provides a  
9 sound rationale or theoretical basis, whether the results reflect cost causation and  
10 are representative of the costs of serving different types of customers, as well as the  
11 stability of the results over time.

12

13 **Q. What is the source of the cost data analyzed in MGUC's COSS?**

14 A. All cost of service data have been extracted from MGUC's revenue requirements and  
15 rate base contained in the instant filing as shown in Ms. De Cramer's Exs. A-1 (KAD-  
16 1), A-2 (KAD-2), A-3 (KAD-3), and associated workpapers for the 2010 projected test  
17 year; and Ms. De Cramer's Exs. A-11 (KAD-7), A-12 (KAD-8), A-13 (KAD-9) and  
18 associated workpapers for the 2008 historic test year. Where more detailed  
19 information was required to perform various supplementary analyses related to  
20 certain plant and expense elements, the data was either taken directly from MGUC's  
21 various software systems, or derived from the historical books and records of MGUC.

22

23 **Q. Does the COSS allocate costs to the rate schedules as defined in present**  
24 **rates?**

25 A. The COSS submitted for both the 2008 historic test year and the 2010 projected test  
26 year in this proceeding are based upon rates that are currently in effect, or present  
27 rates as they were referred to above. All values in the COSS are allocated to each

1 rate schedule utilizing the allocation method described in the column titled "Allocation  
2 Factor". Direct assignment of values to the appropriate rate schedules was  
3 conducted whenever possible.

4

5 **Q. Please describe how you defined the rate schedules in MGUC's COSS.**

6 A. The rate schedules that were utilized in the COSS follow the rate schedules under  
7 which MGUC currently provides retail service in Michigan.

8

9 The rate schedules shown in the MGUC COSS consist of the following:

- 10 1. Residential, which includes residential heating, general, and lighting,
- 11
- 12 2. Multi-Family, which is split into separate cost of service for Class I, II, III
- 13 and IV,
- 14
- 15 3. Small General Service, which includes commercial lighting,
- 16
- 17 4. Large General Service,
- 18
- 19 5. Transportation – TR-1,
- 20
- 21 6. Transportation – TR-2,
- 22
- 23 7. Transportation – TR-3,
- 24
- 25 8. Customer Choice – Residential,
- 26
- 27 9. Customer Choice – Small General Service,
- 28
- 29 10. Customer Choice – Large General Service,
- 30
- 31 11. Aggregated Transportation – Residential,
- 32
- 33 12. Aggregated Transportation – Small General Service,
- 34
- 35 13. Aggregated Transportation – Large General Service, and
- 36
- 37 14. Special Contract, which consists of one customer who is currently served
- 38 by MGUC under the terms of a special contract. This customer's rates
- 39 cannot be changed in a general rate case proceeding; therefore I show
- 40 them in a separate column so as to segregate their revenues and
- 41 associated costs.
- 42

43 **Q. Did you make any changes to the classes of service included in the COSS you**

1           **prepared for the instant general rate case compared to the cost study**  
2           **submitted in MGUC's last general rate case proceeding in Case No. U-15549?**

3    A.    Yes, I made one change.

4

5           In MGUC's last rate case, Case No. U-15549, the Customer Choice and Aggregated  
6           Transportation customers were combined and portrayed as one type of rate  
7           schedule in the COSS. At the time of the filing of Case No. U-15549, there were few  
8           Customer Choice and Aggregation customers taking service from MGUC's system.  
9           Since receiving a Final Order from the Commission in Case No. U-15549, a number  
10          of customers have moved from taking service under the transportation rate  
11          schedules to taking service under the aggregation rate schedules. This movement  
12          has increased the amount of the customers served under the aggregation rate  
13          schedules, while decreasing the amount of customers served under the  
14          transportation rate schedules.

15

16          Additionally, since MGUC filed its last rate case in Case No. U-15549, a number of  
17          customers have moved from taking service under the sales rate schedules to taking  
18          service under the choice rate schedules. Given these two situations, MGUC felt it  
19          was most appropriate to portray the Customer Choice and Aggregation rate  
20          schedules separately from one another in the COSS in the instant rate case filing.

21

22    **Q.    Please describe MGUC's approach in the development of its COSS.**

23    A.    As stated earlier, when describing the general procedures for preparing a COSS,  
24          MGUC's COSS attempts to associate costs with customers based on cost causation.

25          In some cases there can be a direct association of costs to customers based on  
26          causation. For example, some plant costs such as investment in meters and  
27          services can be directly associated with the number of customers. In other cases,

1 causation can be based on a direct relationship between costs and some parameter  
2 that can be related to customers. An example of this is gas supply acquisition costs,  
3 which has a direct relationship to customers' sales. Therefore, gas supply  
4 acquisition costs are allocated to customers based on sales. Other costs may have  
5 relationships to customer parameters that are not direct, but are significantly  
6 influenced by those parameters. Distribution system costs fall into this category.

7

8 **Q. How does MGUC allocate distribution costs to customers?**

9 A. In the case of distribution costs, MGUC has identified two significant cost causation  
10 relationships. Some distribution costs are incurred in order for customers to simply  
11 be connected to the distribution system. Other distribution costs are incurred due to  
12 the level of demand of customers.

13

14 Some gas distribution demand related costs are influenced by the sizing of facilities  
15 based on the coincident consumption of gas on the distribution facilities. These  
16 costs are allocated based on the weighted group peak demand. An example of  
17 these costs would be Accounts 378 and 379, measuring and regulating station  
18 equipment.

19

20 Other demand related costs of gas distribution facilities, such as Account 376, gas  
21 mains, are influenced by both the customer demand and the coincident group  
22 demand. In the COSS, these costs were allocated to rate schedules on both a  
23 weighted group peak demand as well as customer count basis.

24

25 **Q. Were there any special analyses conducted for purposes of allocating**  
26 **distribution costs and plant investment?**

27 A. Yes, there was. Regarding MGUC's major plant accounts, customer weighting

1 factors were developed to allocate the following distribution plant accounts:

- 2 1. Account 380: Services, and
- 3 2. Account 381: Meters.

4

5 MGUC has also performed minimum distribution system studies comprised of the  
6 zero-intercept method which identify the smallest transmission and distribution gas  
7 mains that would be used to connect customers to the distribution system regardless  
8 of their gas usage or demand. The costs needed to support the minimum  
9 distribution system have a relationship to the number of customers, and are  
10 allocated on that basis. The costs in excess of the minimum system are related to  
11 the demand of customers, and are therefore allocated based on the customers'  
12 demands.

13

14 **Q. Please continue with how MGUC allocates distribution costs to customers.**

15 A. Specifically, distribution costs are allocated within the COSS based on the following  
16 methods:

- 17 1. Accounts 302 & 303 Intangible Plant, 374 Land and Land Rights, 375  
18 Structures and Improvements, 378 Measuring & Regulation Equipment –  
19 General, and Account 379 Measuring & Regulation Equipment – Gate Station  
20 were allocated based on the weighted peak demand allocator.  
21
- 22 2. Account 376 Gas Distribution Mains utilized a zero-intercept method based  
23 on a regression of cost per foot versus pipe diameter squared. This analysis  
24 is shown in Exhibit A-6 (JCHM-1), Schedule F1.12. The regression analysis  
25 provided a split of system gas mains costs that are attributable to fixed costs  
26 and demand related costs, showing 52.4% of the costs are attributable to  
27 minimum system; the remaining 47.6% are attributable to customer demand.  
28 Each of these categories was allocated based on customer counts and  
29 weighted peak demand, respectively.  
30
- 31 3. Account 380 Services was allocated on a customer basis, using a weighting  
32 factor of Cost Per Customer for Services which was derived from actual plant  
33 investment categorized by associated meter size.  
34
- 35 4. Account 381 Meters was allocated on a customer basis, using a weighting  
36 factor of Cost Per Meter which was based on actual plant investment by rate  
37 schedule.  
38

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17

- 5. Account 383 House Regulators was allocated based on customer counts.
- 6. Account 385 Industrial Metering & Regulating Station Equipment was allocated based on the weighted peak demand of industrial sized customers only.

**Q. How does the COSS allocate distribution related Operation and Maintenance (“O&M”) expenses?**

A. In general, these expenses should be allocated in the same manner as how the distribution plant investment costs are allocated. A gas utility’s distribution related O&M expenses generally are thought to support the utility’s corresponding plant-in-service accounts. In order to allocate distribution O&M costs in a similar manner as the distribution plant investment, a translation was performed to convert the FERC O&M Distribution Accounts 870 through 894 to FERC Plant Distribution Accounts 303, and 374 through 386. The computations involved in this translation can be found in Ex. A-6 (JCHM-1), Schedule F1.10. A summary of the translation can be found in the table below:

O&M Distribution Account	Translated to:	Distribution Plant Account
Account 870: Supervisory & Engineering Account 871: Load Dispatch Account 880: Other Account 881: Rents Account 885: Supervisory & Engineering		Accounts 303, and 374-386 on the basis of Distribution Plant Investment in Accounts 303, and 374-386 for the future test year 2010
Account 874: Mains & Services Expense		Accounts 376 and 380, on the basis of Distribution Plant Investment in Accounts 376 and 380, which are Mains and Services
Account 877: Measuring & Regulating Expense-Gate Station		Account 379, Measuring & Regulation Equipment-Gate Station
Account 878: Meter & House Regulators Account 879: Customer Installations Account 893: Meter & House Regulators		Accounts 381.0, 381.2, 381.3, 383 and 385, on the basis of Distribution Plant Investment in Accounts 381.0, 381.2, 381.3, 383 and 385 which are all Metering and Regulator related
Account 886: Structures & Improvements		Account 375: Structures & Improvements
Account 889: Measuring & Regulating Expense-General		Account 378: Measuring & Regulation Equipment - General
Account 892: Services		Account 380: Services

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

**Q. How does MGUC allocate production costs and investment to each rate schedule?**

A. MGUC first classifies production costs within the appropriate categories of Purchased Gas Cost, Production Demand, Storage Demand, or Gas Supply Acquisition.

The only costs that are classified to Purchased Gas Cost are the costs of gas sold which are recovered via MGUC’s Gas Cost Recovery (“GCR”) plan. These Purchased Gas Costs are either direct assigned to the rate schedules, or allocated to the rate schedules based upon gas usage, or sales.

The only costs that are classified to Production Demand are O&M expenses relating to Manufactured Gas Plant Clean-up in the FERC Account Series 710-742. This Production Demand classified item is allocated to the rate schedules based upon Weighted Peak Demand.

The costs that are classified to Storage Demand are costs relating to Underground Storage in the FERC Account Series 350-357 and 814-842. These Storage Demand classified items are allocated to the rate schedules based upon the Storage allocation methodology.

Any remaining production costs are classified to Gas Supply Acquisition, and are costs relating to Natural Gas Production & Gathering, Non-GCR related Gas Purchases, and Other Gas Supplies Expense. These Gas Supply Acquisition classified items are allocated to the rate schedules based upon gas usage, or sales.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

**Q. How does MGUC allocate transmission costs and investment to each rate schedule?**

A. The majority of the costs and investment that are functionalized to Transmission for MGUC are related to transmission mains in Account 367. Given this, Transmission costs and investment are first classified to demand and customer classifications based upon a zero intercept regression analysis of cost per foot of transmission main versus pipe diameter squared. The regression analysis provided a percentage of the system transmission mains that are attributable to fixed costs, which is 60.5%, and the remaining percentage, 39.5%, is assumed to be attributable to customer demand. The fixed costs and demand related costs are then allocated to the rate schedules based on throughput and weighted peak demand, respectively.

**Q. How does MGUC allocate customer costs to each rate schedule?**

A. In general, customer costs are allocated based on total customer counts by rate schedule.

Costs that could be directly related to transportation customers were identified and allocated directly to those customers based on a specific transport meter allocator. The allocator for transportation costs is shown on Ex. A-6 (JCHM-1), Schedule F1.6 for the 2010 projected test year, and Ex. A-16 (JCHM-2), Schedule F1.6 for the 2008 historic test year.

With respect to customer costs in Account 904 Uncollectibles, as well as Customer Services and Customer Sales costs in Accounts 907-917, the costs are allocated based on margin revenue by rate schedule.

1 **Q. How does MGUC allocate Administrative and General (“A&G”) costs to each**  
2 **rate schedule?**

3 A. A&G costs are first functionalized according to Salaries and Wages, which can be  
4 found in Ex. A-6 (JCHM-1), Schedule F1.6 for the 2010 projected test year, and Ex.  
5 A-16 (JCHM-2), Schedule F1.6 for the 2008 historic test year. Once functionalized,  
6 the costs are then allocated to rate schedules based upon the respective allocation  
7 methodology. The Production costs were further sub-categorized between Gas  
8 Supply Acquisition and Production Demand. Distribution costs were further sub-  
9 categorized between Demand related distribution and Fixed Cost related distribution.  
10 The Demand related piece of Distribution A&G is allocated to the rate schedules  
11 based upon the Distribution O&M Demand related allocator, which is created on  
12 pages 5 and 6 of Ex. A-6 (JCHM-1), Schedule F1.2 for the 2010 projected test year,  
13 and pages 5 and 6 of Ex. A-16 (JCHM-2), Schedule F1.2 for the 2008 historic test  
14 year. The Fixed Cost related piece of distribution A&G is allocated to the rate  
15 schedules based upon the Distribution O&M Customer related allocator, which is  
16 also created on pages 5 and 6 of Ex. A-6 (JCHM-1), Schedule F1.2 for the 2010  
17 projected test year, and pages 5 and 6 of Ex. A-16 (JCHM-2), Schedule F1.2 for the  
18 2008 historic test year. The remaining functionalized costs were allocated to rate  
19 schedules based upon the respective allocation methodology.

20  
21 **Q. Please describe the remaining components of the MGUC COSS that have**  
22 **unique allocators.**

23 A. The remaining components of the cost of service which have unique allocators are  
24 as follows:

- 25 1. Income Taxes, Taxes other than Income Taxes (“TOTIT”) associated with  
26 Real Estate & Property, Michigan Single Business Tax, Unauthorized  
27 Insurance Tax, and Franchise Tax Fees, and Miscellaneous Revenues in  
28 Account 493 were allocated to the rate schedules based upon a rate base  
29 allocator, which was created on pages 1 and 2 of Ex. A-6 (JCHM-1),  
30 Schedule F1.2 for the 2010 projected test year and pages 1 and 2 of Ex. A-

1  
2  
3  
4  
5  
6  
7  
8  
  
9  
10  
  
11  
12  
13  
14  
15  
16  
  
17  
  
18  
  
19  
20  
21  
22  
23  
24  
  
25  
  
26  
27  
28  
29  
30  
31

16 (JCHM-2), Schedule F1.2 for the 2008 historic test year.

- 2. TOTIT relating to Unemployment Compensation, IBS Payroll Tax, and Retirement Benefits are allocated to the rate schedules based upon a salaries and wages allocator, which can be found in Ex. A-6 (JCHM-1), Schedule F1.6 for 2010 projected test year, and Ex. A-16 (JCHM-2), Schedule F1.6 for the 2008 historic test year.

**Natural Gas COSS for the 2010 Projected Test Year**  
**Please describe Ex. A-6 (JCHM-1), Schedule F1.1.**

A. As required by the Commission’s Orders dated December 23, 2008 and February 20, 2009 issued in Case No. U-15895, Schedule F1.1 is a summary of the COSS results for MGUC for the 2010 projected test year. Each page summarizes the various components of the operating income and rate base to the rate schedules. Additionally, each page provides the revenue deficiency and revenue requirement by rate schedule. Schedule F1.1 consists of 4 pages.

**Please describe Ex. A-6 (JCHM-1), Schedule F1.2.**

A. Schedule F1.2 is a detailed summary of the COSS results for MGUC for the 2010 projected test year. Within Schedule F1.2, each rate schedule is presented in a side-by-side, columnar format with the details of each component of operating income and rate base presented, and the allocation methodology that was used to allocate the costs and plant investment are provided in Column [B] of each page. Schedule F1.2 consists of 20 pages.

Pages 1 and 2 summarize the various components of the operating income and rate base to the rate schedules served by MGUC for the 2010 projected test year. Line 39 of pages 1 and 2 shows the Rate of Return resulting from the projected results of operation. Line 51 of pages 1 and 2 shows the revenue deficiency by rate schedule based on a proposed rate of return of 12.00%, which is supported in the pre-filed direct testimony of Mr. Paul R. Moul. Line 55 of pages 1 and 2 shows the revenue

1 deficiency by rate schedule excluding cost of gas. Pages 1 and 2 also include the  
2 creation of the allocation methodology for Rate Base, which is used throughout other  
3 pages of the COSS.

4  
5 Pages 3 and 4 contain the Operating Revenues for MGUC based on the rates  
6 authorized in MGUC's last general rate case in Case No. U-15549. Pages 3 and 4  
7 also include the creation of the allocation methodology for Margin Revenue, which is  
8 used throughout other pages of the COSS.

9  
10 Pages 5 and 6 contain the Allocation of O&M Expense, including A&G expense, for  
11 MGUC. Pages 5 and 6 also include the creation of the Distribution Demand O&M,  
12 Distribution Customer O&M, Distribution O&M Enhanced, and Customer O&M  
13 allocation methodologies, which are used to allocate certain A&G expenses to the  
14 rate schedules, as shown on the same pages.

15  
16 Pages 7 and 8 contain the Allocation of Depreciation Expense, including  
17 Amortization Expense, with General expenses apportioned, for MGUC.

18  
19 Pages 9 and 10 contain the Allocation of Taxes Other Than Income Taxes for  
20 MGUC.

21  
22 Pages 11 and 12 contain the Allocation of Other Income and Adjustments, both  
23 Before and After Income Taxes, for MGUC. For the 2010 projected test year, there  
24 were no Other Income and Adjustments.

25  
26 Pages 13 and 14 contain the Allocation of the rate base component Plant-in-Service,  
27 with General investment apportioned, for MGUC.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

Pages 15 and 16 contain the Allocation of the rate base component Accumulated Depreciation – Straight Line, with General investment apportioned, for MGUC.

Pages 17 and 18 contain the Allocation of the rate base component Construction Work in Progress (“CWIP”), with General investment apportioned, for MGUC.

Pages 19 and 20 contain the Allocation of Other Rate Base Components, such as Gas Stored Underground, Fuel Stock, Materials & Supplies, Working Capital, Prepayments, Cash & Bank Balances, and Accrued Taxes for MGUC.

**Q. Please describe Ex. A-6 (JCHM-1), Schedule F1.3.**

A. Schedule F1.3 contains a functionalized revenue requirement and rate base allocation for each of the rate schedules in MGUC’s service territory. There is one page of information for each rate schedule. With 17 rate schedules in MGUC’s service territory, Schedule F1.3 consists of 17 pages.

**Q. Please describe Ex. A-6 (JCHM-1), Schedule F1.4.**

A. Schedule F1.4 consists of three pages and contains the cost of service for MGUC rate schedules by consumption unit, or billing unit.

Page 1 of Schedule F1.4 is a summary of all the billing unit costs by rate schedule, broken down into the billing units of Fixed Charge, Enhanced Administrative Charge, Local Volumetric Rate, Storage Rate, and Gas Supply Acquisition Rate. The column titled Total Per Meter Fixed Charge is the summation of the Fixed Charge and Enhanced Administrative Charge for each rate schedule. The column titled Total Mcf Rate is the summation of the Local Volumetric Rate, the Storage Rate, and Gas

1 Supply Acquisition Rate for each rate schedule.

2

3 Page 2 of Schedule F1.4 shows the creation of the Local Volumetric Rate, the  
4 Storage Rate, and Gas Supply Acquisition Rate for each of the rate schedules. The  
5 Mcf Throughput and Sales values shown in Columns [B] and [G], respectively, were  
6 taken from Ex. A-6 (JCHM-1), Schedule F1.6, pages 1 and 2. The Transmission,  
7 Distribution and Production Demand Costs, Storage Costs, and Gas Supply  
8 Acquisition Costs shown in Columns [C], [E], and [H], respectively, were taken from  
9 the respective columns of Ex. A-6 (JCHM-1), Schedule F1.3 on each of the pages for  
10 the rate schedules.

11

12 Page 3 of Schedule F1.4 shows the creation of the Fixed Charge and Enhanced  
13 Administrative Charge for each of the rate schedules. Meter Counts were taken from  
14 Ex. A-6 (JCHM-1), Schedule F1.6, pages 3 and 4. The Transmission, Distribution  
15 and Customer Fixed Costs and Enhanced Administrative Costs shown in Columns  
16 [C] and [E], respectively, were taken from the respective columns of Ex. A-6 (JCH  
17 M-1), Schedule F1.3 on each of the pages for the rate schedules.

18

19 **Q. Is there anything you would like to highlight with respect to Ex. A-6 (JCHM-1),**  
20 **Schedule F1.4?**

21 A. Yes, there is. As compared to the COSS MGUC filed in its last rate case filing, the  
22 current COSS, and specifically Ex. A-6 (JCHM-1), Schedule F1.4, includes the  
23 Aggregated Transport customers in the calculation of the Enhanced Administrative  
24 Fee. In the last rate case filing, Aggregated Transport customers were not included  
25 in the calculation of the Enhanced Administrative Fee.

26

27 **Q. Why was this calculation change made to the Enhanced Administrative Fee in**

1 **the COSS?**

2 A. The Aggregated Transport customers contribute to the \$692,771 of incremental  
3 costs that are associated with the administration of all transportation accounts, and  
4 recovered through the Enhanced Administrative Fee. For MGUC, the incremental  
5 costs that are recovered by the Enhanced Administrative Fee include Billing and  
6 Customer Accounting Support for the more complex billing of transportation  
7 accounts, Gas Supply and Information Technology Support related to balancing  
8 MGUC's gas system, and Administrative and Operational Support for the  
9 maintenance of telemetry, as shown in the table below:

10

Billing & Customer Accounting Support	\$116,905
Gas Supply Support	\$11,144
Admin & Operational Support	\$557,497
Information Technology Support	\$7,224
<b>Total Corporate Annual Costs</b>	<b>\$692,771</b>

11

12

13 **Q. If Aggregated Transport customers contribute to the costs that are recovered**  
14 **by the Enhanced Administrative Fee, why were they not included in the COSS**  
15 **calculations in the last rate case filing?**

16 A. There were two reasons. First, the Aggregated Transport and Customer Choice  
17 customers were combined in the COSS in the last rate case filing. Customer Choice  
18 customers do not contribute to the costs that are recovered by the Enhanced  
19 Administrative Fee, and therefore, with the Aggregated Transport and Customer  
20 Choice customers combined in the COSS, it would not have been appropriate to  
21 assign them those types of costs. Second, there were a small amount of customers  
22 in the Aggregated Transport and Customer Choice rate schedules in the last rate  
23 case filing. In the current rate case filing, there has been an influx in the average

1 number of Aggregated Transport and Customer Choice customers; increasing  
2 approximately 300% over the average customer counts in the last rate case filing.  
3 Therefore, given the increase in customer counts, and the fact that Aggregated  
4 Transport customers should be assigned the costs attributable to the Enhanced  
5 Administrative Fee, MGUC decided to segregate these two rate schedules in the  
6 instant rate case filing, so that the appropriate cost of service would be defined for  
7 the Aggregated Transport customers.

8  
9 **Q. Please describe Ex. A-6 (JCHM-1), Schedule F1.5.**

10 A. Schedule F1.5 contains detailed information on functionalized and classified revenue  
11 requirements, rate base, and unit costs by rate schedule for the 2010 projected test  
12 year for MGUC. Schedule F1.5 consists of 3 pages.

13  
14 Pages 1 and 2 provide a summary of revenue requirements and rate base,  
15 respectively, shown by functional and classification breakdown for each of MGUC's  
16 rate schedules. Ex. A-6 (JCHM-1), Schedule F1.3 provides the detail behind the  
17 creation of the summaries shown on pages 1 and 2.

18  
19 Page 3 shows the unit costs by rate schedule for the 2010 projected test year, which  
20 was calculated by taking the revenue requirements shown on page 1 and dividing by  
21 the appropriate denominator shown in lines 33-36 of page 3. The denominators  
22 shown in lines 33-36 were taken from Ex. A-6 (JCHM-1), Schedule F1.6.

23  
24 **Q. Please describe Ex. A-6 (JCHM-1), Schedule F1.6.**

25 A. Schedule F1.6 contains a summary of the majority of the allocation methodologies  
26 used within the COSS shown in my Ex. A-6 (JCHM-1), Schedule F1.2. Schedule  
27 F1.6 consists of 4 pages.

1

2

Pages 1 and 2 show the development of the following allocation factors:

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

Pages 3 and 4 show the development of the following allocation factors:

28

29

30

31

32

33

34

35

36

37

38

39

40

41

42

43

44

45

46

47

**Q. Can you please explain the significance of Column [J] labeled “Source or Allocation Factor” on each page of Schedule F1.6 of Ex. A-6 (JCHM-1)?**

48

49

A. Column [J], labeled “Source or Allocation Factor”, represents the name that was

1 given to each of the specific allocators created within Schedule F1.6. Each of these  
2 names shown in the "Source or Allocation Factor" column is what is used throughout  
3 the COSS in Ex. A-6 (JCHM-1), Schedule F1.2 when referencing the allocation  
4 methodology that was used to allocate costs to the rate schedules.

5  
6 **Q. Please describe Ex. A-6 (JCHM-1), Schedule F1.7.**

7 A. Schedule F1.7 consists of one page and contains the analysis behind the creation of  
8 the Cost per Customer for Services weighting factor utilized in the creation of the  
9 Services allocation factor. The data is based upon actual plant investment by rate  
10 schedule as of December 2008.

11  
12 **Q. Please describe Ex. A-6 (JCHM-1), Schedule F1.8.**

13 A. Schedule F1.8 consists of one page and contains the analysis behind the creation of  
14 the Cost per Customer for Meters weighting factor utilized in the creation of the  
15 Meters allocation factor. The data is based upon actual plant investment by rate  
16 schedule as of April 2009.

17  
18 **Q. Please describe Ex. A-6 (JCHM-1), Schedule F1.9.**

19 A. Schedule F1.9 contains the classification and functionalization of MGUC data for the  
20 2010 projected test year. Schedule F1.9 consists of five pages.

21  
22 Page 1 contains a detailed breakdown of the classification and functionalization of  
23 Plant-in-Service, with General investment apportioned. This page also portrays the  
24 classification and functionalization of transmission and distribution mains to the  
25 Customer and Demand functions based upon the results of the zero-intercept  
26 regression analyses portrayed in Ex. A-6 (JCHM-1), Schedule F1.11 and Schedule  
27 F1.12, respectively. All of the classified and functionalized values shown on this

1 page are utilized and allocated to the rate schedules as shown in Ex. A-6 (JCHM-1),  
2 Schedule F1.2, pages 13 and 14. Also shown on Page 1, line 42, is the percentage  
3 breakdown of Transmission and Distribution Plant-in-Service classified to Basic  
4 Transmission/Distribution Demand and Fixed Cost. These percentages are utilized  
5 to classify the Materials & Supplies component of Rate Base, as shown on Ex. A-6  
6 (JCHM-1), Schedule F1.2, pages 19 and 20.

7

8 Page 2 contains a detailed breakdown of the classification and functionalization of  
9 Accumulated Depreciation – Straight Line, with General investment apportioned.  
10 This page also portrays the classification and functionalization of transmission and  
11 distribution mains to the Customer and Demand functions based upon the results of  
12 the zero-intercept regression analyses portrayed in Ex. A-6 (JCHM-1), Schedule  
13 F1.11 and Schedule F1.12, respectively. All of the classified and functionalized  
14 values shown on this page are utilized and allocated to the rate schedules as shown  
15 in Ex. A-6 (JCHM-1), Schedule F1.2, pages 15 and 16.

16

17 Page 3 contains a detailed breakdown of the classification and functionalization of  
18 CWIP, with General investment apportioned. This page also portrays the  
19 classification and functionalization of transmission and distribution mains to the  
20 Customer and Demand functions based upon the results of the zero-intercept  
21 regression analyses portrayed in Ex. A-6 (JCHM-1), Schedule F1.11 and Schedule  
22 F1.12, respectively. All of the classified and functionalized values shown on this  
23 page are utilized and allocated to the rate schedules as shown in Ex. A-6 (JCHM-1),  
24 Schedule F1.2, pages 17 and 18.

25

26 Page 4 contains a detailed breakdown of the classification and functionalization of  
27 Depreciation Expense, with General expense apportioned. This page also portrays

1 the classification and functionalization of transmission and distribution mains to the  
2 Customer and Demand functions based upon the results of the zero-intercept  
3 regression analyses portrayed in Ex. A-6 (JCHM-1), Schedule F1.11 and Schedule  
4 F1.12, respectively. All of the classified and functionalized values shown on this  
5 page are utilized and allocated to the rate schedules as shown in Ex. A-6 (JCHM-1),  
6 Schedule F1.2, pages 7 and 8.

7  
8 Page 5 contains a detailed breakdown of the classification and functionalization of  
9 O&M Expense, including A&G expense. This page also portrays the classification  
10 and functionalization of transmission and distribution mains to the Customer and  
11 Demand functions based upon the results of the zero-intercept regression analyses  
12 portrayed in Ex. A-6 (JCHM-1), Schedule F1.11 and Schedule F1.12, respectively.  
13 All of the classified and functionalized values shown on this page are utilized and  
14 allocated to the rate schedules as shown in Ex. A-6 (JCHM-1), Schedule F1.2, pages  
15 5 and 6.

16  
17 Also shown on Page 5, line 14, is the percentage breakdown of Gas Supply  
18 Acquisition and Production O&M expense, which is utilized to allocate Production  
19 related A&G to the Gas Supply Acquisition and Production Demand classifications,  
20 as shown on line 47. Lastly, Page 5, line 45, also shows the percentage breakdown  
21 of Distribution and Customer related O&M expense, which is utilized to allocate  
22 Distribution related A&G to the Basic Transmission/Distribution Demand and Fixed  
23 Cost classifications, as shown on line 47.

24

25 **Q. Please describe Ex. A-6 (JCHM-1), Schedule F1.10.**

26 A. Schedule F1.10 consists of one page and contains the computations behind the  
27 translation of O&M FERC Distribution Accounts 870 through 894 to FERC Plant

1 Distribution Accounts 303, and 374 through 386 for MGUC for the 2010 projected  
2 test year.

3

4 **Q. Please describe Schedule F1.11 and Schedule F1.12 of Ex. A-6 (JCHM-1).**

5 A. Schedule F1.11 contains the detail of the Transmission Mains Zero-Intercept study  
6 and consists of 8 pages. Schedule F1.12 contains the detail of the Distribution  
7 Mains Zero-Intercept study and consists of 22 pages. When conducting the Zero-  
8 Intercept studies, any outliers that were found were removed from the analysis.

9

10 **Natural Gas COSS for the 2008 Historic Test Year**

11 **Q. Please describe Ex. A-16 (JCHM-2), Schedule F1.1.**

12 A. As required by the Commission's Orders dated December 23, 2008 and February  
13 20, 2009 issued in Case No. U-15895, Schedule F1.1 is a summary of the COSS  
14 results for MGUC for the 2008 historic test year. Each page summarizes the various  
15 components of operating income and rate base to rate schedules. Additionally, the  
16 pages present the revenue deficiency and revenue requirement by rate schedule.  
17 Schedule F1.1 consists of 4 pages.

18

19 **Q. Please describe Ex. A-16 (JCHM-2), Schedule F1.2.**

20 A. Schedule F1.2 is a detailed summary of the COSS results for MGUC for the 2008  
21 historic test year. Within Schedule F1.2, each rate schedule is presented in a side-  
22 by-side, columnar format, the details of each component of operating income and  
23 rate base are presented, and the allocation methodology that was used to allocate  
24 the costs and plant investment are provided in Column [B] of each page. Schedule  
25 F1.2 consists of 20 pages.

26

27 **Q. Do the 20 pages of the 2008 historic test year COSS shown in Schedule F1.2 of**  
28 **Ex. A-16 (JCHM-2) for MGUC follow the same layout as presented in Schedule**

1 **F1.2 of Ex. A-6 (JCHM-1) for the 2010 projected test year?**

2 A. Yes, they do. The only differences would be on Page 1, Line 40, which shows the  
3 Index of Return resulting from historical operations. Also, Line 52 of pages 1 and 2  
4 shows the revenue deficiency by rate schedule based upon the required rate of  
5 return of 10.45%, which was authorized in MGUC's last general rate case in Case  
6 No. U-15549.

7

8 **Q. Please describe Ex. A-16 (JCHM-2), Schedule F1.3.**

9 A. Schedule F1.3 contains a functionalized revenue requirement and rate base  
10 allocation for each of the rate schedules in MGUC's service territory for the 2008  
11 historic test year. There is one page of information for each rate schedule. With 17  
12 rate schedules in MGUC's service territory, Schedule F1.3 consists of 17 pages.

13

14 **Q. Do the 17 pages of functionalized revenue requirement and rate base**  
15 **allocation for each of the rate schedules for the 2008 historic test year shown**  
16 **in Schedule F1.3 of Ex. A-16 (JCHM-2) for MGUC follow the same layout as**  
17 **presented in Schedule F1.3 of Ex. A-6 (JCHM-1) for the 2010 projected test**  
18 **year?**

19 A. Yes, they do.

20

21 **Q. Please describe Ex. A-16 (JCHM-2), Schedule F1.4.**

22 A. Schedule F1.4 contains the cost of service for MGUC rate schedules by  
23 consumption unit or billing unit for the 2008 historic test year, and consists of three  
24 pages.

25

26 **Q. Do the three pages of consumption units for the 2008 historic test year shown**  
27 **in Schedule F1.4 of Ex. A-16 (JCHM-2) for MGUC follow the same layout as**

1           **presented in Schedule F1.4 of Ex. A-6 (JCHM-1) for the 2010 projected test**  
2           **year?**

3    A.    Yes, they do.

4

5    **Q.    Please describe Ex. A-16 (JCHM-2), Schedule F1.5.**

6    A.    Schedule F1.5 contains detailed information on functionalized and classified revenue  
7           requirements, rate base, and unit costs by rate schedule for the 2008 historic test  
8           year for MGUC. Schedule F1.5 consists of 3 pages.

9

10   **Q.    Do the three pages of detailed information on functionalized and classified**  
11           **revenue requirements, rate base, and unit costs by rate schedule for the 2008**  
12           **historic test year shown in Schedule F1.5 of Ex. A-16 (JCHM-2) for MGUC**  
13           **follow the same layout as presented in Schedule F1.5 of Ex. A-6 (JCHM-1) for**  
14           **the 2010 projected test year?**

15   A.    Yes, they do.

16

17   **Q.    Please describe Ex. A-16 (JCHM-2), Schedule F1.6.**

18   A.    Schedule F1.6 contains the creation of allocation factors utilized in MGUC's COSS  
19           for the 2008 historic test year, and consists of four pages.

20

21   **Q.    Do the four pages of allocation factors the 2008 historic test year COSS shown**  
22           **in Schedule F1.6 of Ex. A-16 (JCHM-2) for MGUC follow the same layout as**  
23           **presented in Schedule F1.6 of Ex. A-6 (JCHM-1) for the 2010 projected test**  
24           **year?**

25   A.    Yes, they do.

26

27   **Q.    Please describe Ex. A-16 (JCHM-2), Schedule F1.7.**

1 A. Schedule F1.7 consists of one page and contains the analysis behind the creation of  
2 the Cost per Customer for Meters weighting factor utilized in the creation of the  
3 Meters allocation factor for the 2008 historic test year. The data is based upon  
4 actual plant investment by rate schedule as of December 2007.

5

6 **Q. Please describe Ex. A-16 (JCHM-2), Schedule F1.8.**

7 A. Schedule F1.8 contains the classification and functionalization of MGUC data for the  
8 2008 historic test year. Schedule F1.8 consists of five pages.

9

10 **Q. Do the five pages of classified and functionalized 2008 historic test year data**  
11 **shown in Schedule F1.8 of Ex. A-16 (JCHM-2) for MGUC follow the same layout**  
12 **as presented in Schedule F1.8 of Ex. A-6 (JCHM-1) for the 2010 projected test**  
13 **year?**

14 A. Yes, they do.

15

16 **Q. Please describe Ex. A-16 (JCHM-2), Schedule F1.9.**

17 A. Schedule F1.9 consists of one page and contains the computations behind the  
18 translation of O&M FERC Distribution Accounts 870 through 894 to FERC Plant  
19 Distribution Accounts 303, and 374 through 386 for MGUC for the 2008 historic test  
20 year.

21

22 **Conclusion**

23 **Q. Please summarize the results of the COSS for MGUC for the 2010 projected**  
24 **test year.**

25 A. As stated by MGUC witness Ms. Katherine A. De Cramer in her pre-filed direct  
26 testimony, MGUC, overall, is showing a revenue deficiency (cost recovery shortfall)  
27 of \$8,444,435, or 4.5% in the 2010 projected test year, which includes the cost of

1 gas. Removing the cost of gas, the revenue deficiency is 14.2% for MGUC, overall.  
 2 The results of the COSS with respect to revenue deficiency at present rates by rate  
 3 schedule based on the requested revenue requirement for MGUC are summarized  
 4 below.

MGUC Rate Schedule	Revenue Deficiency / (Surplus)		
	\$ (including gas costs)	% (including gas costs)	% (excluding gas costs)
Residential	\$10,856,077	8.73%	29.33%
Multi-Family - Class I	\$16,372	6.49%	30.96%
Multi-Family - Class II	(\$10,333)	(0.88%)	(4.08%)
Multi-Family - Class III	(\$2,794)	(1.00%)	(5.48%)
Multi-Family - Class IV	(\$16,774)	(2.85%)	(16.91%)
Small General Service	(\$742,867)	(1.59%)	(7.22%)
Large General Service	(\$254,114)	(5.90%)	(34.22%)
Transport - TR-1	(\$1,080,442)	(38.85%)	(38.85%)
Transport - TR-2	(\$450,176)	(16.86%)	(16.86%)
Transport - TR-3	\$75,185	5.54%	5.54%
Customer Choice - Residential	\$286,676	33.14%	33.14%
Customer Choice - Small GS	(\$431,315)	(22.87%)	(22.87%)
Customer Choice - Large GS	\$0	0.00%	0.00%
Agg Transport - Residential	\$26,888	224.37%	224.37%
Agg Transport - Small GS	\$299,921	26.22%	26.22%
Agg Transport - Large GS	(\$19,033)	(29.80%)	(29.80%)
Special Contract	(\$108,834)	(91.20%)	(91.20%)

5

6 **Q. In your opinion, does the MGUC COSS provide a reasonable basis for**  
 7 **establishing rates in this case?**

8 A. Yes, it does. The COSS for MGUC is a reasonable estimate of revenue  
 9 requirements by rate schedule, given the total revenue requirement, and supports  
 10 the rates requested in this case, as explained further in the pre-filed direct testimony

1 of Mr. David J. Tyler.

2

3 **Q. Does this conclude your pre-filed direct testimony?**

4 A. Yes, it does.

