



THE STAFF OF THE MISSOURI PUBLIC SERVICE COMMISSION

Who We Are

The Staff of the Missouri Public Service Commission (Staff) is an independent body of professionals that consists primarily of engineers, accountants, financial analysts, economists, consumer services and management specialists, and attorneys. Staff evaluates utility requests for rate increases and then provides recommendations to the Commission regarding such requests. Staff does not approve or reject rate increase requests; it is the Commission that makes the final decision. By law, Staff members may not own utility stock or bonds or have any other monetary interest in a regulated utility.

Activity During the Rate Case

Typically, the rate case is an 11-month process, which is the maximum time allowed by law. Staff's review and examination of MGE's request began when the utility filed its rate case on September 16, 2013. Staff reviewed all the filings made by MGE as well as filings made by all other parties to the case. Staff conducted an independent investigation of the utility's books and records, interviewed company personnel and sent numerous formal data requests seeking information and supporting documentation from the utility. When reviewing all the available information, Staff examined trends in the utility's historical costs, increases/decreases in the utility's test-year expenses and any unusual levels of specific costs and made adjustments accordingly.

Position of the Staff

In its direct testimony and Cost of Service Report filed on January 29, 2014, Staff recommended an increase of approximately \$1.4 million at the high end of Staff's recommended Return on Equity. Staff's recommendation in this case is approximately \$22 million lower than MGE's approximately \$23.4 million rate increase request made in its September 16, 2013 case filing. A portion of the Staff's general rate increase recommendation has already been passed on to MGE's customers through periodic Infrastructure System Replacement Surcharge (ISRS) rate filings made by MGE. Staff's February 7, 2014 Class Cost of Service Report recommendation indicates that an equal percentage increase for all customer classes is appropriate at this time. Staff is not recommending any shifts in costs from one rate class to another. Whatever the final total increase awarded to MGE, Staff recommends it be spread equally among all of the Company's customer classes.

If the Commission were to adopt the Staff's position as of today, the average residential customer would see a 0.3 percent increase in his/her MGE bill—an average monthly change of less than a penny.

Major Issues

Rate of Return: Generally, return on equity represents profits for MGE shareholders' investments in the company. Staff is recommending a return on equity range of 7.9 percent to 8.9 percent with a midpoint of 8.4 percent. MGE's case reflects a 9.7 percent return on equity. The difference between MGE and Staff's midpoint return on equity (9.7 percent compared to 8.4 percent) is approximately \$5.9 million.

Sculpted Rates: Staff opposes MGE's proposal for sculpted rates where the customer pays a higher rate in winter, with a lower rate during the summer months. Staff proposes that an equal rate be charged monthly. This provides a proper matching of MGE's monthly costs with the amount a customer pays for those services.

Reconnection and Late Payment Fee: Staff proposes no change to MGE's current reconnection and late payment fee charges.

Red Tag Program: Staff supports MGE's Red Tag programs, where a minor repair performed by MGE will allow gas service to be turned on at the time of the visit, instead of requiring a customer to find a repairman to fix the minor problem and have MGE come at a later date to turn on the gas. This saves the customers time and money.

Staff provides this summary as an aid to the reader and does not intend for this summary to replace its positions as stated within its direct testimony, any Staff rebuttal or surrebuttal filings, or any other filings made by it throughout this case.