

Staff of the Missouri Public Service Commission,

Complainant,

v.

Missouri Pipeline Company, LLC, Missouri Gas Company, LLC, Omega Pipeline, LLC, Mogas Energy, LLC, United Pipeline Systems, Inc., and Gateway Pipeline Company, LLC

Respondents.

2. Staff is filing the redacted and HC versions as *substitute* testimony since none of the information in the testimony has been changed, it has simply been classified as either HC or public. Staff is indicating on the cover sheet that the date prepared remains as originally filed.

3. Additionally, the Staff is not filing amended affidavits, even though the total number of pages may change due to the document being redacted, because none of the text of the originally filed documents has changed.

4. The depositions which have also been marked for redaction by Respondents will also be filed as *substitute* attachments to testimony. Due to the volume of material, Staff will file these documents as soon as Staff is able to complete the redactions.

5. If the Commission needs assistance from Staff as a result of these substitutions, please let me know.

Respectfully submitted,

/s/ Lera L. Shemwell

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronic mail to all counsel of record on this 8th day of December, 2006.

/s/ Lera L. Shemwell

Exhibit No.:

*Issue: Affiliate Transactions, Tariff
Violations and Associated
Penalties*

Witness: Robert E. Schallenberg

Sponsoring Party: MoPSC Staff

Type of Exhibit: Direct Testimony

Case No.: GC-2006-0491

Date Testimony Prepared: September 6, 2006

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

ROBERT E. SCHALLENBERG

**MISSOURI GAS COMPANY
MISSOURI PIPELINE COMPANY**

CASE NO. GC-2006-0491

**Jefferson City, Missouri
September 2006**

**** Denotes Highly Confidential Information ****

NP

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OF
ROBERT E. SCHALLENBERG
MISSOURI GAS COMPANY
MISSOURI PIPELINE COMPANY
CASE NO. GC-2006-0491

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Case No. GC-2006-0491

Listed below is a list of the Schedule 3 Report Attachments (Schedules to the report) referenced throughout this direct testimony.

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Direct Testimony of
Robert E. Schallenberg

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2 **DIRECT TESTIMONY**
3 **OF**
4 **ROBERT E. SCHALLENBERG**
5 **MISSOURI GAS COMPANY**
6 **MISSOURI PIPELINE COMPANY**
7 **CASE NO. GC-2006-0491**
8

9 Q. Please state your name and business address.

10 A. Robert E. Schallenberg, 200 Madison Street, Jefferson City, Missouri, 65102.

11 Q. By whom are you employed and in what capacity?

12 A. I am the Director of the Utility Services Division of the Missouri Public
13 Service Commission (MoPSC).

14 Q. Please describe your educational background.

15 A. I am a 1976 graduate of the University of Missouri at Kansas City with a
16 Bachelor of Science degree and major emphasis in Accounting. In November 1976, I
17 successfully completed the Uniform Certified Public Accountant (CPA) examination and
18 subsequently received the CPA certificate. In 1989, I received my CPA license in Missouri. I
19 began my employment with the Missouri Public Service Commission (MoPSC) as a Public
20 Utility Accountant in November 1976. I remained on the Staff of the Missouri Public Service
21 Commission until May 1978, when I accepted the position of Senior Regulatory Auditor with
22 the Kansas State Corporation Commission. In October 1978, I returned to the Staff of the
23 MoPSC. Most immediately prior to October 1997, I was an Audit Supervisor/Regulatory
24 Auditor V. In October 1997, I began my current position as Division Director of the Utility
25 Services Division of the MoPSC.

1 Q. Please describe your responsibilities and experience while employed at the
2 MoPSC as a Regulatory Auditor V.

3 A. As a Regulatory Auditor V for the MoPSC, I had several areas of
4 responsibility. I was required to have and maintain a high degree of technical and substantive
5 knowledge in utility regulation and regulatory auditing. Among my various responsibilities as
6 a Regulatory Auditor V were:

7 1. To conduct the timely and efficient examination of the accounts, books,
8 records and reports of jurisdictional utilities;

9 2. To aid in the planning of audits and investigations, including staffing
10 decisions, and in the development of Staff positions in cases to which the Accounting
11 Department of the MoPSC was assigned, in cooperation with Staff management and other
12 Staff personnel;

13 3. To serve as lead auditor, as assigned on a case-by-case basis, and to report to
14 the Assistant Manager-Accounting at the conclusion of a case on the performance of less
15 experienced auditors assigned to the case, for use in completion of annual written
16 performance evaluations;

17 4. To assist in the technical training of other auditors in the Accounting
18 Department and other Staff;

19 5. To prepare and present testimony in proceedings before the MoPSC and the
20 Federal Energy Regulatory Commission (FERC), and aid MoPSC Staff attorneys and the
21 MoPSC's Washington, D.C. counsel in the preparation of pleadings and for hearings and
22 arguments, as requested; and

1 6. To aid in the development of audit findings and review: 1) the audit findings;
2 and 2) prepared testimony to be filed by other auditors in the Auditing Department and other
3 MoPSC departments.

4 The MoPSC relied on the Regulatory Auditor V position to be able to present and
5 defend positions both in filed testimony and orally at hearing. I have presented testimony on
6 many occasions before the MoPSC on issues ranging from the prudence of building power
7 plants to the appropriate method of calculating income taxes for ratemaking purposes. I have
8 worked in the areas of regulation of telephone, electric and gas utilities. I even have taken
9 depositions on behalf of the MoPSC in an FERC natural gas pipeline case. Attached as
10 Schedule 1, is a list of cases and issues on which I have worked at the MoPSC. In addition, I
11 have provided live testimony in several MoPSC proceedings, including the recent
12 experimental regulatory or financial plans involving Aquila, Empire Electric District
13 Company, and Kansas City Power & Light Company. As indicated above, my
14 responsibilities have expanded over my years at the MoPSC to include, among other things,
15 assisting in rate proceedings and other public utility regulatory matters at the federal level on
16 behalf of the MoPSC, as assigned.

17 Q. Have you previously submitted testimony in proceedings before the FERC?

18 A. Yes. I submitted testimony in Docket Nos. RP94-365, RP95-136, RP96-173,
19 et. al. These were cases involving Williams Natural Gas Company (WNG). WNG provides
20 gas transportation and storage services for local gas distribution companies serving the
21 western portion of Missouri. WNG provides service to Missouri Gas Energy, a division of
22 Southern Union Company which serves the Kansas City area. My testimony in Docket No.
23 RP94-365 involved a prudence challenge of the costs that WNG sought to recover in that

1 case. I also filed testimony regarding certain cost of service issues in a WNG FERC rate case,
2 Docket No. RP95-136. The issues included affiliated transactions between WNG and its
3 parent. I filed testimony in Docket No. RP96-173, et. al., on the issue of whether the costs in
4 question met FERC's eligibility criteria for recovery under FERC Order No. 636.

5 I submitted testimony in Mississippi River Transmission (MRT) Corporation's FERC
6 rate case, Docket No. RP96-199. MRT provides gas transportation and storage services for
7 local distribution companies serving the eastern portion of Missouri. MRT provides service
8 to Laclede Gas Company, which serves the St. Louis area. My testimony in Docket
9 No. RP96-199 involved cost of service issues. These issues included affiliated transactions
10 between MRT and its parent.

11 Q. During your career, have you been involved in the negotiation and drafting of
12 agreements between the MoPSC Staff and the utilities under the jurisdiction of the MoPSC?

13 A. Yes. I have been involved in negotiations in practically every case in which I
14 have been involved, from my earliest years as an Auditor I through my years in my present
15 position as a Division Director. I have been involved in either the actual drafting of language
16 or the review of language of each stipulation and agreement in these cases, in particular
17 respecting revenue requirement issues. These responsibilities began with my first rate case
18 involving Kansas City Power & Light Company, in Case No. ER-77-118. In addition, I have
19 participated in FERC settlement conferences on behalf of the MoPSC. Recently, I performed
20 significant work in Kansas City Power & Light Company's Iatan 2 generating station
21 experimental regulatory plan workshop, Case No. EW-2004-0596, and the subsequent Iatan 2
22 related cases that I have mentioned above.

EXECUTIVE SUMMARY

Q. Please provide an “executive summary” of your testimony.

A. My testimony will address the following issues:

1. MPC, MGC, and Omega Pipeline Company (Omega) were affiliated entities as that term is defined in 4 CSR 240-40.015. Omega has been sold, but at all times relevant to this investigation, Omega was an affiliate of MPC and MGC.

2. MPC and MGC have provided preferential billing and payment terms to their affiliate, Omega, in violation of their tariff provisions. P.S.C. MO. No. 3, Sheet No. 39, Paragraph 12.a.

3. Omega was and is a gas marketing entity providing natural gas services ** _____
_____ ** as well as to Ft. Leonard Wood. The service Omega provides to these customers requires MPC and MGC to transport natural gas to these customers.

4. In violation of its tariffs, ** _____
_____. ** In violation of their tariffs, MPC and MGC charged non-affiliated customers higher rates than the lowest rate charged to an affiliate, Omega, without express Commission approval. P.S.C. MO. No. 3, Sheet No. 5, Paragraph 3.2.

5. MPC and MGC violated the Commission’s affiliate gas marketing transactions rules in that Omega had access to MPC’s and MGC’s operational and accounting information. 4 CSR 240-40-016 (2) (F), (G).

6. MPC and MGC shared officers and employees with Omega and provided an affiliate, Omega, with operational and confidential customer accounting information in a

discriminatory manner. P.S.C. MO. No. 3, Sheet no. 39, Paragraph 12.c;
4 CSR 240-40.016(F), (G).

7. MPC and MGC have provided transportation service to Omega without the
written transportation agreement required by tariff. P.S.C. MO. No. 2, Sheet No. 4, Paragraph
1.c. (firm transportation); P.S.C. No. 3, Sheet No. 15, Paragraph 1.c. (interruptible
transportation).

8. MPC paid for construction of a lateral line to serve Omega's customer,
** _____ **, without demanding reimbursement from either Omega or ** _____
_____. This is discriminatory preference for Omega and its provision of service to
_____. P.S.C. MO. No. 3, Sheet 4, Paragraph 2; P.S.C. MO. No. 3, Sheet
No. 39, Paragraph 12.a.

9. MGC failed to file with the Commission Staff reports of discounts offered to
customers and intentionally misreported these activities to the Commission Staff.
Specifically, MGC failed to report ** _____

_____. The misreporting prevented non-
affiliated transportation customers from determining that rate reductions given to affiliates
were available to them under MPC's/MGC's tariffs. P.S.C. MO. No. 3, Sheet 39,
Paragraph 12.c.

PURPOSE OF TESTIMONY

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to present the Commission Staff's

(Staff) evidence relating to Counts I, II, III, V and a portion of VI of the complaint filed in this case.

Q. What is a summary of your testimony?

A. My testimony, in conjunction with the direct testimony of Thomas Imhoff, Manager of the Commission's Tariff/Rate Design Department, will provide evidentiary support for the Staff's complaint filed in this case. The Staff's complaint alleges that Missouri Pipeline Company, LLC (MPC) and Missouri Gas Company, LLC (MGC) failed to operate consistently with their tariffs. MPC's and MGC's violations resulted in non-affiliated customers being overcharged for natural gas transportation service. Natural gas transportation is the action of receiving an entity's natural gas at one end of a natural gas pipeline and delivering an equivalent amount of natural gas at a designated delivery point. MPC and MGC are referred to in their tariffs as Transporters and their customers are called Shippers.

Q. What MPC and MGC customers are impacted by the Staff allegations in this case regarding rate overcharges and refund obligations?

A. ** _____

_____ **

Q. What customers were served by Omega during the time period addressed in this complaint?

A. During the period beginning July 1, 2003 through March 31, 2006, Omega Pipeline Company provided natural gas service to the ** _____

**.

Q. What background information is significant to your testimony?

A. Schedule 3 attached to this testimony is a report I prepared providing information relevant to and supporting the allegations contained in Staff's complaint in this case. My testimony and the attached report are based upon information obtained from Data Request (DR) responses, contracts and documents provided by the respondents, depositions attached to this testimony as Schedule Nos. 4, 5, 6 and 7, Public Service Commission records, customer information, information obtained through subpoena of non-party entities to this case, and records from the Secretaries of State of Kansas and Missouri.

Q. What remedies is Staff seeking in this complaint?

A. Staff is seeking four remedies:

1. Staff is seeking a Commission Order requiring MPC and MGC to reduce the rates charged to shippers on the system to the levels consistent with P.S.C. MO. No. 2, Sheet No. 6, Paragraph 3.2 (firm transportation); P.S.C. No. 2, Sheet No. 16, Paragraph 3.2 (interruptible transportation) of the transportation rates regarding the provision of both firm and interruptible transportation service.

2. Staff is seeking a Commission Order requiring MPC and MGC to refund the amounts of monies they collected from their customers in excess of the amounts authorized by their tariffs.

3. Staff is seeking a Commission Order setting the amount of penalties that is appropriate given both MPC's and MGC's violations of both Commission rules and their own tariffs.

1 4. Staff is requesting the Commission order MPC/MGC to require Omega to pay
2 MPC for the ** _____ ** lateral and to remove from its books and records the plant in
3 service and depreciation reserve balances recorded related to this line. P.S.C. MO. No. 3,
4 Sheet 4, Paragraph 2; P.S.C. MO. No. 3, Sheet No. 39, Paragraph 12.a.

5 **COUNT I**

6 Q. What violation does Count I allege?

7 A. Count I is that MPC and MGC failed to comply with the tariff provisions that
8 require these Companies to: 1) apply all their terms and conditions in a uniform and
9 nondiscriminatory manner to non-affiliated shippers as provided to affiliate shippers;
10 2) maintain separate operational facilities and personnel from any marketing affiliate; and
11 3) submit quarterly reports to the Commission's Energy – Rates Staff.

12 Q. What is your support for the allegation that MPC/MGC discriminated against
13 non-affiliated shippers?

14 A. The following language is contained in the Companies' tariff on Sheet No. 39
15 in Paragraph 12:

16 Operation of Rate Schedule in Conjunction with Marketing Affiliates.

17 a. All terms and conditions contained herein shall be applied in a
18 uniform and nondiscriminatory manner without regard to affiliation of
19 any entity to Transporter.

20 Q. How were MPC/MGC operations inconsistent with the requirements of
21 Paragraph 12 part a. of their tariff sheets?

22 A. By failing to provide uniform and nondiscriminatory service, under
23 Section 12.a, MPC and MGC provided its affiliate Omega advantages over other shippers.
24 MPC/MGC applied the rate authority contained in their tariffs on more favorable terms to

1 their affiliate, Omega, than was applied to non-affiliate shippers. (*See Count III below*) MPC
2 and MGC provided Omega transportation service without an executed transportation
3 agreement and in doing so, MPC and MGC allowed Omega to operate outside the parameters
4 of the conditions for natural gas receipts and deliveries specified in section 1.a of their tariffs
5 regarding the provision of firm or interruptible transportation service, or section 2.b of the
6 General Terms and Conditions of their tariffs.

7 Q. What specific tariff conditions did MPC/MGC apply on a discriminatory
8 basis?

9 A. MPC and MGC allowed Omega to deliver natural gas to its customers without
10 purchasing an adequate amount of natural gas to meet its customers' needs. Other shippers
11 were required to deliver adequate quantities of natural gas to the system to meet their needs.
12 Other shippers were also required to stay "in balance" on the system MPC/MGC violated
13 Sheet No. 26 section 2.b of the General Terms and Conditions of their tariffs that requires:

14 Receipts and deliveries of gas hereunder shall be at a uniform hourly
15 and daily rates of flow as nearly as practicable. If, due to operating
16 conditions, the quantities of gas received and delivered are not in
17 balance on any particular day, such imbalance shall be corrected as
18 promptly as is consistent with operating conditions.

19
20 MPC and MGC provided Omega transportation services that not did not require
21 Omega to make reasonable arrangements for MPC and MGC to receive natural gas on
22 Omega's behalf, at a level equal to the amount of natural gas being delivered to Omega's
23 customers at uniform hourly and daily rates of flow.

24 Moreover, MPC and MGC allowed natural gas to be delivered to Omega delivery
25 points when MPC and MGC were aware that ** _____

26 _____ **.

1 Q. What other violations disadvantaged non-affiliate shippers?

2 A. ** _____

3 _____

4 _____

5 _____

6 _____

7 _____

8 _____

9 _____

10 _____

11 _____

12 _____

13 _____

14 _____

15 _____

16 _____ **

17 As a result of MPC's and MGC's actions in not applying their tariff provisions in a
18 uniform and non-discriminatory manner, Omega was allowed to bill customers for gas that
19 Omega did not purchase or provide to MPC and MGC for delivery to these customers.

20 As of March 31, 2006, MPC and MGC reports show that the pipelines had delivered
21 236,134 Dth more natural gas to Omega's customers than the amount of natural gas Omega
22 purchased for delivery to its customers. In contrast, other shippers maintained a balance
23 generally within the tariff tolerance level or modified their imbalance to be consistent with the

tariff tolerance level within the timeframe provided in the MPC and MGC tariff.

The percentage imbalance at the various Omega delivery points shown on the March 2006 reports are shown in the following chart:

** _____ **	** _____ ** _____
** _____ **	** _____ **
** _____ **	** _____ **
** _____ ** _____	** _____ **
** _____ **	** _____ **

Non-affiliated shippers are not allowed to operate outside the tariff Conditions of Receipt and Delivery section 2. of the General Terms and Conditions of the MPC and MGC tariffs to the level or for the length of time allowed Omega. MPC and MGC made no filing with the Commission requesting approval to modify their tariffs to permit the natural gas receipt and delivery scheme afforded to Omega.

MPC and MGC provided rate levels and rate options to Omega not provided to its competitors or non-affiliated shippers. The result of this discriminatory conduct is that refunds are owed to other shippers on the system as described in Count III.

1 Q. Did you discover other unequal treatment of shippers?

2 A. MPC and MGC tariffs are not current. The fact that the MPC and MGC tariffs
3 do not contain current tariff information places non-affiliated shippers at a disadvantage
4 relative to Omega. Non-affiliate shippers do not have the same level of knowledge (e.g. new
5 receipt and delivery points) concurrent with the information available to Omega regarding
6 MPC and MGC pipeline operations.

7 **SHARED PERSONNEL RESULTED IN TARIFF VIOLATIONS**

8 Q. Count I section 2.) alleges MPC/MGC failed to maintain separate operational
9 facilities and personnel. Is this true?

10 A. Yes. One key tariff violation resulted in most of the misconduct that is the
11 subject of this complaint. MPC and MGC did not satisfy their tariff requirements to maintain
12 separate operational facilities and personnel from their affiliate, Omega. P.S.C. MO. No. 3,
13 Sheet No. 39, Paragraph 12.b.

14 b. For efficiency purposes, Transporter occupies office space on
15 the same floor as its affiliates, but maintains separate operational
16 facilities and personnel. Operational and accounting information is
17 confidentially maintained by Transporter.

18 This violation also likely violated the Commission's affiliate transactions rule
19 4 CSR 240-40-016 (2) (F), (G). MPC/MGC allowed confidential operational and accounting
20 information to be shared with its affiliate Omega that was not available to any other shippers.
21 This violation occurred because David Ries was President of both MPC and MGC at the same
22 time he was Omega's President. While Mr. Ries was President of MPC/MGC/Omega, and
23 negotiating contracts on behalf of MPC/MGC he was also negotiating with MPC and MGC
24 on Omega's behalf.

1 Q. When did this violation of separation of operations occur?

2 A. The preferential treatment provided to Omega through shared personnel began
3 on or around February 1, 2002, and continued through at least May 31, 2006. Omega was
4 provided access to confidential MPC and MGC operational and accounting information
5 primarily through the use of shared personnel at both the president and controller positions.
6 David Ries was President of MPC, MGC and Omega during this period. Mr. David (BJ)
7 Lodholz was controller for MPC, MGC and Omega from July 2002 through January 2006.

8 MPC/MGC is affiliated with Omega through common ownership by Mr. David
9 Langley and Mr. David Ries. Until Omega was sold June 1, 2006, MPC, MGC and Omega
10 had the same individuals performing significant functions for all these companies. Mr. David
11 Ries was President for all three companies and performed important functions such as
12 contract negotiation on behalf of all three companies. Mr. Ries, acting as President of
13 MPC/MGC and Omega, received confidential operational and accounting information from
14 MPC/MGC on a regular basis. MPC and MGC provided Omega detailed information
15 regarding other shippers on the MPC and MGC pipeline, thus identifying Omega's
16 competitors and their business information.

17 Q. Were other personnel shared?

18 A. Yes. Mr. David (BJ) Lodholz, controller and vice president of MPC/MGC and
19 Omega posted general ledger transactions, created monthly financial statements, issued
20 checks and reconciled bank statements for all three entities.

21 Ms. Patty Hawkins, receptionist of MPC/MGC also maintained operational
22 information related to MPC, MGC and Omega customer gas nominations and deliveries on a
23 daily basis with other customer information and created reports containing this information.

1 These reports were provided routinely to Omega's President, Ries, when access to this
2 information was intentionally not provided to other gas suppliers or MPC/MGC shippers.

3 Mr. David Wallen, V.P of Operations, also shared duties between the affiliated
4 companies during his employment with MPC/MGC. Mr. Wallen had the authority to sign
5 checks on Omega's behalf from its checking account.

6 Q. What was the result of this tariff violation?

7 A. The shared personnel provided Omega a significant advantage over non-
8 affiliated shippers. Omega would have the MPC and MGC President representing their
9 positions in negotiations with the pipelines for transportation service arrangements. MPC and
10 MGC would be represented by an employee that reports to Mr. Ries. The employees
11 representing MPC and MGC in matters involving Omega, Mr. Wallen, and Mr. Lodholz,
12 controller, also had authority to sign Omega checks. No other non-affiliate shipper enjoyed
13 these advantages in requesting and negotiating service with MPC and MGC. Non-affiliated
14 shippers must negotiate with the president of their competitor, Omega, whenever these non-
15 affiliated shippers were seeking significant arrangements with MPC and MGC for
16 transportation services. Because of the lack of separation of functions, when the MPC and
17 MGC president and controller were provided information, the information was being made
18 available to the Omega president and controller simultaneously.

19 Because of the shared personnel, no one protected the separate interests of MPC or
20 MGC. Omega enjoyed the unique advantage of having the president of MPC and MGC,
21 David Ries, negotiate transportation service on Omega's behalf while MPC and MGC were
22 represented by employees, BJ Lodholz and David Wallen, who reported directly to Mr. Ries.
23 There was no independent representative of the pipelines in these "negotiations."

1 The personnel shared by MPC/MGC/Omega permitted MPC/MGC to provide
2 transportation service to Omega at rates lower than those charged to non-affiliates, which
3 means that certain non-affiliated shippers were overcharged for transportation service. Shared
4 personnel provided Omega additional advantages. Omega was provided access to
5 confidential pipeline and shipper information not available to non-affiliated shippers. MPC
6 and MGC provided Omega concessions regarding enforcement of the MPC and MGC tariff
7 provisions. MPC and MGC provided Omega a unique contract structure arrangement not
8 available to non-affiliated shippers.

9 MPC's and MGC's activities relating to sharing confidential pipeline and shipper
10 information with Omega will be addressed in greater detail in the report contained in
11 Schedule 3 attached to this testimony,

12 **REQUIRED QUARTERLY REPORTS WERE NOT FILED**

13 Q. Count I alleges tariff violations regarding reporting to Staff. How have MPC
14 and MGC violated their duty to submit quarterly reports to the Staff?

15 A. MPC and MGC omitted or failed to report key information regarding the
16 affiliation relationship involved in some of the reported discounted (i.e. less than maximum
17 rates or modified tariff rate design) transactions. MPC and MGC failed to include
18 information regarding: 1) Omega's agency and natural gas sales agreement with the City of
19 Cuba, 2) the terms related to the provision of transportation service for Omega's gas to the
20 Cuba City Gate to satisfy Omega's gas supply obligation to ** _____ **, 3) MGC
21 payment of expenditures for construction or modification of facilities required to deliver
22 natural gas to satisfy Omega's gas supply obligation to ** _____ **, 4) the terms
23 related to the provision of transportation service for Omega's gas to the ** _____ **

1 Interconnection to satisfy Omega's gas supply obligation to ** _____ **, and 5) the
2 Omega modification to the ** _____ ** transportation agreements with MPC and
3 MGC.

4 The Omega agency agreement with the City of Cuba was not disclosed in the report
5 submitted to the Staff for the 2nd quarter of 2003. ** _____
6 _____
7 _____

8 _____ ** In addition, MPC and MGC have not submitted all the reports required
9 under the following portion of their tariffs.

10 Transporter will submit to the Commission's Energy – Rates Staff once
11 every three months, a list of all bids or offers Transporter quotes for
12 transportation service rates for its pipeline where the bid is less than the
13 Maximum Rate contained in this tariff for transporter's area.
14 Transporter will provide the bid price quoted, the length of and the
15 dates of all offerings, the name, address and telephone number of the
16 party to whom the bid was given, any other terms of the bid and rate
17 comparison sheet for all bids and offers for each month. For each such
18 bid or offering, the Transporter will completely explain whether the
19 entity being offered the rate is affiliated in any way with Transporter.
20 If the entity is affiliated, transporter will completely explain such
21 affiliation. Transporter will respond immediately to Staff inquiries
22 concerning discounting.

23 Initially, when MPC or MGC was providing Omega discounted transportation service,
24 such activity was not reported in the information that MPC and MGC provided to staff under
25 the requirements contained in the above portion of their tariffs.

26 MPC and MGC only reported an affiliate transportation service agreement on
27 April 12, 2005, for the first quarter 2005. MPC and MGC did not acknowledge that Omega
28 was provided any discounted transportation service for the period July 1, 2003 until
29 February 1, 2005. The April 12, 2005, report coincided with the transportation service
30 agreement related to Omega replacing ** _____ ** as the natural gas supplier to Fort

1 Leonard Wood. MPC and MGC did not disclose that they had been delivering Omega gas to
2 satisfy Omega's gas supply obligations to the ** _____
3 _____ ** prior to February 1, 2005, or the first quarter of 2005. MPC and MGC
4 did not report in their July 13, 2005, report for the second quarter of 2005 that MPC and MGC
5 were providing discounted firm transportation service for Omega gas to be delivered to the
6 ** _____ ** Gate to provide firm gas supply to ** _____ **. Ultimately,
7 MPC and MGC charged Omega ** _____ ** reservation charge and a reduced MGC
8 commodity charge of \$0.30 per Dth. for firm transportation service on behalf of Omega's
9 obligations to ** _____ **.

10 MPC and MGC did not submit or excluded information from the reports provided to
11 the Commission Staff as required by section 12.c of their tariffs that would identify the
12 preferential treatment being provided to Omega.

13 Q. Did MPC and MGC engage in other actions that reduced the chance of
14 detection of MPC and MGC provision of discounted transportation service to Omega?

15 A. Yes. MPC and MGC failed to file with the Commission a request to modify
16 their tariffs to reflect operational changes and pipeline modifications that occurred subsequent
17 to the sale of Aquila's interest in these pipelines thereby avoiding the scrutiny that normally
18 accompanies such filings. MGC failed to satisfy its certificate requirement to file a rate case
19 within 18 months of the pipeline becoming operational. Such a filing during this period
20 would likewise subject the operation of MGC to an examination that would have increased
21 the possibility of detection of these activities.

22 **COUNT II**

23 Q. What does Count II allege?

1 A. MPC's and MGC's tariffs require a written Transportation Agreement for each
2 shipper (P.S.C. MO. No. 2, Sheet No. 4 Paragraph 1.c (firm transportation)):

3 1 . Availability
4

5 This Rate Schedule is available for natural gas transportation service
6 performed by Missouri Pipeline Company (Transporter) under the
7 provisions and guidelines of the Missouri Public Service Commission
8 (MoPSC). Such transportation service shall be available for any
9 Shipper.

10
11 *c. which has executed a Transportation Agreement wherein*
12 *Transporter has agreed to transport natural gas for Shipper's*
13 *account up to a specific maximum daily transportation volume.*
14 *Such Transportation Agreement shall also be subject to the*
15 *General Terms and Conditions on file with the MoPSC.*
16 *(emphasis added)*

17 Q. Did MPC and MGC violate this tariff?

18 A. Yes. During the period July 1, 2003, through January 31, 2005, MPC and
19 MGC provided transportation service to Omega without a transportation service agreement.
20 On or around September 1, 2003, MPC and MGC transported Omega gas to an Omega
21 delivery point without an executed transportation agreement defining the nature of the
22 pipeline obligation to transport this gas. Provision of this service is contrary to section 1.c. of
23 either MPC's or MGC's tariff regarding the provision of firm or interruptible transportation
24 service. Non-affiliated entities were not permitted to transport over the pipelines without
25 executed transportation agreements.

26 MPC and MGC also charged affiliate Omega interruptible transportation service rates
27 lower than the rates charged to non-affiliated interruptible shippers. MPC and MGC charged
28 Omega's competitors higher rates for transportation service than the rates charged to Omega
29 for transportation service to the same delivery point. MPC and MGC provided transportation
30 service to Omega at rates lower than the rates charged to a prior non-affiliated shipper or non-

1 affiliated shipper's agent. Such an action shows that MPC and MGC did not apply their tariff
2 terms in a uniform and nondiscriminatory manner without regard to affiliation to the entity.

3 Q. What Omega customers were provided transportation service from MPC and
4 MGC without a transportation agreement?

5 A. MPC and MGC delivered Omega's gas to the Cuba, Missouri City Gate on
6 behalf of Omega's commitment to serve ** _____ ** beginning around September 1,
7 2003, without an executed transportation service agreement. Omega does have a
8 transportation agreement with the City of Cuba to transport gas through the City of Cuba's
9 distribution pipeline system to the ** _____ **.

10 MPC and MGC delivered Omega's gas to the Willard Interconnection on behalf of
11 Omega's obligation to supply ** _____ ** beginning around June 1, 2004
12 through January 31, 2005 without an executed transportation service agreement. The details
13 of the MPC and MGC relationship with Omega's service to both ** _____
14 _____ ** is addressed in more detail in the report attached to this testimony as Schedule 3.

15 Q. If MPC/MGC did not have a transportation agreement for service to these
16 customers, how were the Companies reimbursed for their service?

17 A. MPC/MGC imputed revenues on their books based on the volume of
18 interruptible gas transportation service provided to Omega and rates developed by Mr. Ries.
19 The rates used to calculate the amount of revenues recorded on the MPC and MGC books
20 were lower than the rates charged to non-affiliated shippers for interruptible transportation
21 service on the MPC and MGC pipelines.

22 **COUNT III**

23 Q. What does Count III allege?

A. 3.2 Range of Rates.

b. For all Transportation Agreements entered into by Transporter with any affiliate of Transporter after the effective date of tariff sheets having a Date of Issue of January 18, 1995, in those instances in which the term of the Agreement is greater than three (3) months:

(1) The lowest transportation rate charged to an affiliate shall be the maximum rate that can be charged to non-affiliates. Any renegotiation or other type of modification to the rates of any then-effective Transportation Agreement is to be considered an applicable Transportation Agreement for the purpose of setting this maximum rate for non-affiliates.

(2) Transporter will submit each such Transportation Agreement for Commission approval in those instances in which the rate offered to a non-affiliate is proposed to be greater than any rate offered to any affiliate.

This language provides non-affiliate shippers protection from special pricing arrangements provided to MPC and MGC affiliates. This provision would provide to MPC and MGC non-affiliated shippers the same pricing terms offered to Omega. Therefore, MPC and MGC would be in violation of their tariffs to charge a non-affiliated shipper more for transportation service than MPC and MGC charged Omega.

MPC and MGC charged, and is charging, many non-affiliated shippers for transportation service at rates greater than those charged to affiliates without the necessary Commission approval. By its own tariff the lower rate automatically becomes the highest rate that may be charged on the system

Q. Did MPC and MGC charge non-affiliate shippers higher rates for transportation service than MPC and MGC charged Omega?

A. Yes. MPC and MGC provided transportation service to Omega at rates lower than the rates charged to non-affiliated shippers. In certain cases ** _____

_____, **, the rates charged by MPC or MGC to Omega for

1 transportation service are less than the rates charged to their prior non-affiliated gas provider
2 ** _____ **. MGC provides Omega some form of discount rate for firm or
3 interruptible transportation service to deliver natural gas to the ** _____ ** Gate,
4 ** _____ ** City Gate
5 on the MGC pipeline system. MPC provides discounted interruptible transportation service to
6 Omega and discounted firm transportation service to the Owensville City Gate.

7 There are non-affiliated shippers on the MPC and MGC pipeline system that pay the
8 maximum rate for their transportation service.

9 MGC charges maximum tariff rates for firm transportation service to non-affiliated
10 shippers, ** _____ **

11 MGC also charges maximum tariff rates for firm transportation service to a non-affiliated
12 shipper, ** _____ **, at the ** _____ **, Missouri delivery point. MPC and MGC
13 charges maximum tariff rates for interruptible transportation service to non-affiliated shippers,
14 ** _____ **

15 _____ **. Staff's audit did not discover an Omega customer only served by the MPC
16 pipeline.

17 Q. What advantage did this give affiliate Omega?

18 A. Omega enjoyed the advantage of being able to pay MPC/MGC less for
19 transportation service than a non-affiliated shipper would be charged for transportation
20 service. For example, during the period October 1, 2002 through January 31, 2005, Omega
21 was not the natural gas supplier to Fort Leonard Wood. Omega still provided the Fort
22 distribution services but ** _____ ** provided natural gas supply to the Fort's delivery
23 point. Mr. Ries charged ** _____ ** the maximum firm reservation and commodity

1 MPC/MGC tariff rate for delivery to the Fort. When Omega became the Fort's natural gas
2 supplier, the MGC firm commodity rate charged to Omega was reduced by ** _____
3 ____ **.

4 Another example is when ** _____ ** was the natural gas supplier for ** _____
5 ____ **, MPC and MGC charged ** _____ ** the maximum firm reservation and
6 commodity MPC/MGC tariff rate for delivery to the Owensville, Missouri City Gate, the
7 delivery point for ** _____ **. ** _____ ** was also charged by MPC and MGC
8 the maximum interruptible commodity tariff rate for interruptible transportation service also
9 provided to ** _____ **. Six months after Omega became the natural gas supplier to
10 ** _____ **, MPC and MGC discontinued charging a reservation charge for firm
11 transportation service to the ** _____ ** Gate for gas delivered to ** _____
12 ____ **. In the following month, MGC reduced its firm commodity rate to ** _____
13 ____ ** in the following month.

14 Q. How do the MPC and MGC tariffs treat discounted transportation service tariff
15 rates provided to an affiliated company?

16 A. The MPC and MGC tariffs specify that rates provided to an affiliate shipper
17 are the maximum rates that can be charged to non-affiliated shippers.

18 Q. What rate reductions are due to non-affiliates?

19 A. Contrary to their tariffs, MPC and MGC did not charge non-affiliated shippers
20 the lower rates for transportation service charged to Omega. Beginning on or around July 1,
21 2003, MGC charged Omega a commodity rate for firm transportation less than the rate
22 charged to non-affiliate shippers, contrary to the tariff provisions in section 3.2.b of MGC's
23 tariffs regarding provision of firm transportation service. Such an action resulted in certain

MGC non-affiliated shippers being overcharged for firm transportation service. The following table shows the MPC and MGC maximum tariff rates for transportation service for all shippers as of June 30, 2003 which is prior to the initial discounts provided to Omega:

Transportation Type/ Delivery Points	Firm	Firm	Interruptible
	Reservation Per MDQ	Commodity Per Dt.	Commodity Per Dt.
MPC Delivery	\$4.3181	\$.1699	\$.3036
MGC Delivery Except the Fort	\$13.1766	\$.9433	\$1.3765
MGC Delivery to the Fort	\$18.10	\$.55	\$1.15

Accordingly, my testimony will show that MPC and MGC tariffs require reductions in the above maximum rate that can be charged to non-affiliated shippers and that certain non-affiliated shippers are due refunds as well as rate reductions for current service.

Beginning July 1, 2003, MGC provided Omega firm transportation service at a rate lower than the rate indicated in the above table. By tariff section Sheet No. 6, 3.2b, this action changed the maximum MGC rates that could be charged to non-affiliates for firm transportation service, as highlighted in bold in the table below:

Transportation Type/ Delivery Points	Firm	Firm	Interruptible
**			

Q. When did the next rate change occur?

A. Beginning September 1, 2003, MPC and MGC began transporting Omega gas to an interruptible customer. Omega paid MPC and MGC transportation service revenues based on rates less than the maximum tariff rate indicated in the above table. This action, by tariff Sheet No. 16, section 3.2.b resulted in another change to the maximum MPC and MGC rates that could be charged to non-affiliates for interruptible service, as highlighted in bold font in the table below:

Transportation Type/ Delivery Points	Firm	Firm	Interruptible
**			

Q. Was there another rate change?

A. Beginning February 1, 2005, MPC and MGC began transporting Omega gas to

Fort Leonard Wood. Omega payments to MPC and MGC for this transportation service were based on rates less than the maximum tariff rate indicated in the prior table. This action resulted in another change in the maximum MGC rates that could be charged to non-affiliates for firm transportation service to Fort Leonard Wood, as highlighted in bold font in the table below:

Transportation Type/ Delivery Points	Firm	Firm	Interruptible
**			

Q. Did Omega's service to another customer result in a further reduction in rates?

A. Yes. In May 2005, MPC and MGC began transporting Omega gas to** ** at favorable rate terms. Omega payments to MPC and MGC for this transportation service were based on rates less than the maximum tariff rate for firm transportation service as indicated in the above table. This action resulted in another change in the maximum rates that could be charged to non-affiliates, as highlighted in bold font in the table below:

Transportation Type/ Delivery Points	Firm	Firm	Interruptible
**			

In June 2005, MPC and MGC began transporting Omega gas to ** under rate terms further reduced from the previous month. Omega payments to MPC and MGC for this transportation service were based on rates less than the maximum tariff rate as indicated in the above table. This action resulted in other changes in the maximum rates that could be charged to non-affiliates, as highlighted in bold font in the table below:

Transportation Type/ Delivery Points	Firm	Firm	Interruptible
**			
to the Fort			**

The above tables show that MPC and MGC have, by their own tariff provisions, reduced the maximum tariff rates that can be charged to a non-affiliate for transportation service, by virtue of rates MPC and MGC charged their affiliate, Omega, for transportation service. Certain non-affiliate shippers were charged rates in excess of those charged to Omega in violation of

1 section 3.2.b of MPC and MGC tariff regarding the provision of firm and interruptible
2 transportation service.

3 Q. How did Omega receive discounted transportation service from MPC and
4 MGC to serve Omega's customers?

5 A. Omega entered into contracts with the ** _____
6 _____ ** to provide gas supply at rates that were independent of the
7 rates MPC and MGC would charge for transportation service to supply gas for these
8 customers. Only Fort Leonard Wood has a contract with Omega that is tied to rates that MPC
9 and MGC would charge Omega for transportation service to Fort Leonard Wood. In the
10 Omega contracts, other than Fort Leonard Wood, the transaction is first structured so that any
11 reduction in the MPC and MGC transportation service rates benefits Omega's profitability
12 and does not reduce the Omega customer's gas bill.

13 MPC and MGC would allow Omega to assume an existing transportation service
14 agreement or host contract through an agency relationship. The initial host contract was the
15 existing transportation service agreements with the City of Cuba. After Omega had
16 negotiated an arrangement with the City of Cuba that allows Omega to receive all the benefits
17 from reductions in transportation service, then the MPC/MGC/Omega president imposed a
18 firm commodity discount structure that results in discounted transportation service to Omega.
19 It was important to the MPC and MGC cash flow to structure the arrangement in a manner
20 that does not to appear as a discount to Omega since such a discount would trigger rate
21 reductions to non-affiliated shippers paying higher rates for transportation service. ** _____
22 _____

23 _____ **

1 Omega had an agency agreement with the City of Cuba to transport the City of Cuba's
2 gas under the City of Cuba's transportation agreements with MPC and MGC. ** _____

3 _____

4 _____

5 _____

6 _____

7 _____

8 _____

9 _____

10 _____ **

11 Omega used its agency arrangement with the City of Cuba and its control of MPC and
12 MGC to transport Omega gas or deliver gas to MGC delivery points to satisfy Omega gas
13 supply obligations to entities other than the City of Cuba. Omega added its interruptible
14 ** _____ ** gas supply obligations with the City of Cuba's gas to
15 determine the amount of transportation charges Omega would pay MPC and MGC under the
16 City of Cuba's firm transportation service agreements.

17 Q. Did MPC and MGC bill Omega for transportation services?

18 A. MPC and MGC did not bill Omega for these transportation services. Instead,
19 Omega would bill itself regarding the amount of money Omega would pay MPC and MGC
20 for transportation service. MPC and MGC allowed Omega to control the transportation
21 service Omega would receive from the pipelines. Omega was allowed by MPC and MGC to
22 operate outside its agency relationship with the City of Cuba by combining Omega gas with
23 the City of Cuba's gas. The combination of Omega gas with City of Cuba gas disguised the

1 affiliate transaction occurring on MPC and MGC pipelines. Omega was allowed by MPC and
2 MGC to deliver gas to a delivery point (i.e. ** _____ **) not included on the
3 City of Cuba transportation service agreements with MPC and MGC and not identified on the
4 MGC tariffs.

5 ** _____
6 _____
7 _____
8 _____

9 _____ **

10 Q. In what other ways was Omega treated differently?

11 A. MPC and MGC would deliver more gas to Omega delivery points than MPC
12 and MGC received for delivery on Omega's behalf. MPC's and MGC's transportation
13 service to Omega was contrary to section 2 of the General Terms and Conditions in the MPC
14 and MGC tariffs regarding the receipt and delivery conditions for transportation of natural
15 gas.

16 In November 2004, Omega became the gas supplier to ** _____ ** and
17 assumed control of the MPC and MGC firm and interruptible transportation service
18 agreements that were paying the stated maximum rates in the MPC and MGC tariff. At that
19 time, Omega was negotiating with Fort Leonard Wood to resume the provision of gas supply
20 to Fort Leonard Wood. On Friday January 28, 2005, Mr. Ries, as Omega's president, signed
21 a new contract with Fort Leonard Wood for services including gas supply.

22 Four days later on Tuesday, February 1, 2005, Mr. Ries, as Omega's president,
23 modified existing transportation service agreements (i.e. MP-1103-TAF and MG-1103-TAF)

1 with MPC and MGC. Mr. David Wallen, a subordinate of Mr. Ries, signed modifications of
2 these agreements on behalf of MPC and MGC. MPC and MGC have not provided copies of
3 the prior transportation service agreements needed to identify the extent of the modifications
4 to these agreements.

5 **

20 **

21 MGC stated in the 1st quarter 2005 report to the Staff, "Therefore this agreement is not
22 a discount to any other transportation agreement with a delivery point other than Fort Leonard
23 Wood." Staff's audit revealed this statement to be false. MPC and MGC allowed Omega to

1 also use this contract to deliver gas to the ** _____ ** and to the
2 ** _____ **, Missouri City Gate to supply ** _____ **. MPC and MGC provide firm
3 and interruptible transportation service to these delivery points at less than maximum rates.
4 Omega does not pay MPC and MGC any reservation charges for the approximately ** ____
5 ____ ** of firm capacity associated with the ** _____ ** load.

6 Q. When did Staff discover that MPC and MGC were offering discounts to an
7 affiliate that was not being made available to non-affiliate shippers?

8 A. Staff became aware that MPC and MGC were offering discounts to Omega
9 that were not being made available to non-affiliate shippers during the investigation into the
10 reasonableness of the MPC and MGC rates sometime in early 2006. Initially, the Company
11 only indicated that Omega was serving Fort Leonard Wood. All volumes transported on
12 Omega's behalf were either recorded as deliveries for the City of Cuba or Omega deliveries.
13 There was no indication that the City of Cuba was an Omega customer or that MPC and MGC
14 were delivering Omega gas to other delivery locations other than Fort Leonard Wood.
15 MPC and MGC never indicated to the Staff that its affiliate was providing natural gas service
16 to any customer besides Fort Leonard Wood until Staff's audit independently discovered
17 MPC and MGC delivering Omega gas to serve other customers.

18 MPC and MGC did not identify their affiliate relationship with the City of Cuba,
19 ** _____ ** in their quarterly information submittals
20 to Staff as required in section 12.c. of the General Terms and Conditions portion of their
21 tariffs. Section 12.c states that MPC and MGC will provide the Staff information regarding
22 all bids or offers to provide transportation service at rates lower than the maximum tariff rate
23 and information regarding any affiliation that MPC and MGC may have with the entity being

1 offered the discount. MPC and MGC recorded transportation volumes related to Omega
2 transportation arrangements either as City of Cuba deliveries to the Cuba City Gate or Omega
3 deliveries to Fort Leonard Wood. Since MPC and MGC never reported the Omega affiliation
4 with the City of Cuba, Staff's initial review indicated that Omega was only involved in
5 providing natural gas service to Fort Leonard Wood.

6 Q. How did the Staff determine that the Omega agency agreement with Cuba was
7 in fact a discounted rate to an affiliate?

8 A. A Staff member audited the 2004 and 2005 revenues and related gas volumes
9 from each MPC/MGC customer by month. The revenues were calculated based upon gas
10 flows depicted by Mr. Ries as the actual flows to each customer multiplied by the rates
11 purported for each customer. The Staff member traced these revenues to the MPC and MGC
12 2004 and 2005 general ledgers to ensure that the information matched the amounts shown on
13 the Companies' books.

14 The Staff member then found an e-mail sent to Staff noting that Omega was involved
15 with the City of Cuba. The Staff member then acquired invoices from the City of Cuba to
16 compare to the revenues and gas volumes shown on the MPC and MGC books. Those
17 invoices showed that: 1) the City of Cuba was an Omega customer, 2) the rates charged did
18 not match the information on the Company's books, and 3) another customer was being
19 served from the Cuba City Gate. The invoices showed that City of Cuba was served by an
20 affiliate of MGC and MPC.

21 The audit of the Companies' books showed that for the City of Cuba, the rates applied
22 by Mr. Ries in his "Revenue Summary" for 2004 and 2005 reflected a maximum MGC firm
23 tariff reservation rate and a discounted firm commodity rate of ** _____ **. This firm

commodity rate is lower than the MGC maximum commodity rate for firm transportation
service of ** _____ ** per Dth. Since the ** _____

_____ ** Instead of taking the risk of further negotiations
between Omega and the City of Cuba, MPC and MGC allowed Omega to bill itself the rate
for MPC and MGC transportation service rates Omega was willing to pay.

COUNT V

Q. What does Count V allege?

A. Omega contracted for, but MGC paid for and has recorded in its regulated
books, construction of a lateral line to connect ** _____ ** facility to the
pipeline to provide transportation service in violation of the following:

29. MGC's tariff, P.S.C. MO. 2, Sheet No. 31, Paragraph 6.e, also
provides:

Shipper will reimburse Transporter or cause Transporter to be
reimbursed for any and all costs and expenses incurred in constructing,

1 establishing, or modifying the facilities required for receipt and/or
2 delivery of gas hereunder. Upon request, an estimate shall be provided
3 in writing to the Shipper with a breakdown showing at least the major
4 cost components. Shipper shall be responsible for reimbursing
5 Transporter for only the actual costs incurred by Transporter in
6 constructing, establishing or modifying the facilities required for
7 receipt and/or delivery of gas hereunder.
8

9 MGC paid Omega's expenditures related to the cost of constructing, establishing and
10 modifying the MGC facilities required for the delivery of natural gas to an Omega customer
11 without billing Omega for reimbursement of these expenditures as specified in section 6.e of
12 the General Terms and Conditions of the MGC tariff. MGC placed the costs of these
13 expenditures in its plant in service balances reported to this Commission in the MGC annual
14 report in lieu of recovering these expenditures from Omega. MPC and MGC provided
15 transportation service for Omega's gas to this customer initially without an executed
16 transportation agreement contrary to section 1.c. of either MPC's and MGC's tariff regarding
17 the provision of firm or interruptible transportation service.

18 On April 4, 2004 Omega's president, David Ries, contracted with ** _____
19 _____ ** to supply natural gas to ** _____ ** meter at the point of
20 interconnection with MGC and ** _____ **. A special provision of the
21 contract states, ** _____

22 _____ **

23 The Buyer in this contract is ** _____ ** and the Seller is Omega
24 Pipeline Company, LLC.

25 During the Staff's review of MPC/MGC's 2004 general ledgers, it obtained copies of
26 multiple invoices for the construction of the ** _____ ** pipeline that extends from
27 the ** _____ ** plant to the interconnection with MGC. A number of these

1 invoices were remitted by vendors to Omega for payment. These invoices for the ** _____
2 _____ ** pipeline were paid by MPC and charged to MGC.

3 The Omega contract with ** _____ ** specifies that ** _____ ** is obligated to pay
4 Omega for the pipeline if ** _____ ** does not timely converted its plant to natural
5 gas. Omega is the entity that has a gas supply agreement with ** _____ **. Omega has the
6 obligation for the costs associated with the construction of the ** _____ ** pipeline as
7 evidenced by the fact that Omega, not MGC, is to be reimbursed in the event that ** _____
8 _____ ** does not timely convert to natural gas. There is no contract between MGC and
9 ** _____ **. There was no transportation service agreement between MGC and
10 Omega or ** _____ ** obligating MGC to pay for the pipeline from the
11 ** _____ ** plant to the interconnection with MGC. The MGC tariffs show that Omega or
12 ** _____ ** is to reimburse MGC for these costs. MGC's failure to seek
13 reimbursement from Omega for the ** _____ ** pipeline costs is in violation of
14 section 6.e of the General Terms and Conditions of MGC's tariff.

15 **COUNT VI**

16 Q. What is Count VI to the Staff's complaint?

17 A. Count VI of the Staff complaint in this case asserts that MPC and MGC do not
18 bill Omega on the same basis as MPC and MGC invoices non-affiliated shippers. MPC and
19 MGC have recreated bills to represent their invoices for the period January 1, 2004 through
20 March 31, 2006. Those bills show that Omega is allowed to bill itself for MPC and MGC
21 transportation service related to deliveries to the Cuba City Gate. Those bills also indicate
22 that Omega was allowed to bill itself for MPC and MGC transportation service related to

1 deliveries to the ** _____ ** until February 1, 2005. Omega is the only
2 shipper that bills itself for MPC and MGC transportation services.

3 Staff is still seeking discovery regarding the timeliness of Omega's payments for MPC
4 and MGC transportation services as well as MPC and MGC's practice regarding late payment
5 charges in the event that Omega did not pay its bills within the period specified in the MPC
6 and MGC tariffs.

7 **CONCLUSION**

8 Q. What remedy is the Staff seeking in this case?

9 A. The Staff seeks in this case: 1) refunds to non-affiliated shippers for amounts
10 charged for transportation service more than those charged to Omega, 2) non-affiliated
11 shipper rates reduced to the level provided to the affiliate Omega as specified by the tariff,
12 3) penalties for the MPC and MGC failures to act in a manner consistent with their tariffs; and
13 4) removal from the MGC books and records the plant in service and depreciation reserve
14 balances recorded related to MGC's failure to obtain reimbursement from Omega for the costs
15 to construct or modify its facilities in order to deliver gas to Omega's customer, ** _____
16 _____ **.

17 Q. Does this conclude your direct testimony?

18 A. Yes it does. I have attached an Audit Report and supporting documents to this
19 testimony.

00192

1 BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

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00193

1 MS. SHEMWELL: This is Lera Shemwell. We are
2 continuing the deposition of Mr. David Ries.

3 Q (By Ms. Shemwell) Mr. Ries, if you'd still
4 consider yourself to have been sworn or to be sworn; is that
5 all right?

6 A I am.

7 Q If you look at the revenue summary that is Exhibit
8 4, I believe it's right in front of you. And we discussed
9 yesterday that you created this document; is that right?

10 A True.

11 Q Are there any customers that transport on MPC that
12 are not listed on this summary?

13 A I don't know that there was would be any changes
14 that I would make to these summaries from the time that I
15 created them, so I would have to say based on that that, no,
16 there are not.

17 Q ** _____

18 ** _____

19 A ** _____ **

20 Q ** _____ **

21 A ** _____

22 _____

23 _____

24 ** _____

25 MS. SHEMWELL: Let's go off the record for just a

00194

1 moment.

2 (Whereupon there was a discussion held off the record).

3 MS. SHEMWELL: We're on the record. And we'll go
4 on the record and we're looking at Exhibit 4 and I'm asking

NP

5 Mr. Ries some questions about that.
6 Q (By Ms. Shemwell) I may be a little repetitive and
7 I apologize. Does Omega have an agreement with MPC to
8 transfer gas over the pipelines from October 1, 2002, to
9 January 31st, 2005?
10 A No.
11 Q What time period?
12 A Omega did not have a transportation agreement on
13 the pipelines in 2003 and 2004 or January of 2005.
14 Q How did Omega transport gas?
15 A Omega did not transport gas.
16 Q How did they get gas to the Fort?
17 A Omega did not transport gas to the Fort during that
18 period of time.
19 Q Who transported gas to the Fort?
20 A I believe the contract summary lists ** Oneok
21 Engineering Marketing ** _____
22 _____
23 ** _____
24 Q I believe we established yesterday that ** _____ **
25 is behind the ** _____ **gate; is that correct?
00195
1 A ** _____ **
2 Q And that they were -- they're not a transporter on
3 the system?
4 A That's true.
5 Q Is G-P's are there volumes and revenues shown on
6 this summary?
7 A ** _____
8 _____
9 _____
10 _____
11 ** _____
12 Q ** _____
13 _____ **
14 A ** _____
15 _____
16 ** _____
17 Q ** _____
18 _____ **
19 A ** _____
20 _____
21 _____
22 ** _____
23 Q What additional meters have you added to the system
24 since 2002? If we look at this list, does that tell you?
25 A The only additional meter that I am aware of would
00196
1 be the delivery meter to ** _____ **
2 Q Can you tell me approximately how much pipe has
3 been replaced since 2002?
4 A It would be a very rough estimate. And I'll say
5 approximately three-quarters of a mile.
6 Q So under a mile is something that you're talking
7 about?
8 A Yes.
9 Q So really not anything very significant in terms --

10 A Not much.
 11 Q -- of the length of the pipe? Okay.
 12 A And most of that was related to relocation work.
 13 Q Let's look at the City of Cuba. They're an Omega
 14 customer; is that correct? The City of Cuba on here?
 15 A I think this is -- the ** _____ ** is a shipper on
 16 the pipeline and we've already said this morning that the
 17 pipelines were aware that there was an agency agreement in
 18 place between ** _____ ** and the ** _____ **
 19 Q And looking at this summary what is Cuba's MDQ?
 20 A ** _____ **
 21 Q Would you tell me the relationship between MDQ and
 22 reservation charges if there is one?
 23 A Well, the reservation rate is multiplied times the
 24 MDQ to get the monthly reservation charge.
 25 Q And the reservation rate for Cuba shown on this
 00197
 1 2004 list for January is ** _____ **, correct?
 2 A That's correct.
 3 Q And that's true all through the year for every
 4 month across that line, correct?
 5 A That is the ** _____ ** tariff rate for MPC.
 6 Q Does this --
 7 A For the reservation charge.
 8 Q Does this include the ** _____ ** load, the
 9 MDQ?
 10 A From a pipeline standpoint the City of Cuba has a
 11 transportation contract that allows it to ship up to ** _____ **
 12 decatherms on any given day.
 13 Q All right.
 14 A Regardless of where that volume is ultimately
 15 shipped to or to what consumer it is sold to.
 16 Q Has Cuba shipped above what it is permitted to ship
 17 on any month?
 18 A It has -- well, reservation MDQ is a daily
 19 quantity.
 20 Q Okay.
 21 A And it has not shipped or exceeded its maximum
 22 daily quantity that I am aware of at any time.
 23 Q And that is a daily monitored point; is that
 24 correct?
 25 A That is true.
 00198
 1 Q We talked about that yesterday?
 2 A Well, let me be -- if we're referring back to the
 3 discussion on SCADA and electronic flow measurement and
 4 communications equipment, we talked about points that were
 5 monitored almost real time, obviously several times per hour
 6 up to the potential of a daily number. If your question is
 7 is it a daily communication, no, it's not; it's much more
 8 often than that. It's a leased line communication point and,
 9 therefore, it is monitored and communicated with several
 10 times per hour.
 11 Q Would you describe for me what it means by leased?
 12 Does someone actually lease a line?
 13 A The pipelines have two leased telephone circuits;
 14 we lease them from the telephone company. They are dedicated

15 lines. They're open lines all the time, so they're
16 effectively dedicated the pipelines company's use to gather
17 data and to provide two-way communication to these points.
18 I'm sorry. Did I answer your question?

19 Q Yes, I believe so.
20 A Okay.

21 Q I don't see ** _____ ** listed on here. Can
22 you point it out to me if it is?

23 A I think we established yesterday that ** _____
24 _____ ** is not a shipper.

25 Q So where is their shipping cost reflected, the cost
00199 1 to ship to them?
2 A ** _____
3 _____
4 _____
5 _____
6 _____
7 _____ **

8 Q Does that differ from the way ** _____ ** is
9 treated because they are listed on here?

10 A ** _____ ** had been a shipper; it was a shipper
11 in 2004. I believe we also discussed yesterday that in or
12 about approximately September of 2004 ** _____ ** provided a
13 notification of termination of that transportation agreement
14 and their separate transportation agreement expired then in
15 March I believe of 2005.

16 Q Do either MPC or MGC take title to any natural
17 gas?

18 A No.

19 Q So they don't buy any gas and resell it?

20 A I think per Commission order both of the pipelines
21 are prohibited from selling gas.

22 Q Does ** _____ ** have a discounted rate? Did they
23 have a discounted rate when we look at this?

24 A ** _____ **

25 Q I did not have the opportunity to review the
00200 1 transcript last night obviously, so I may reask some
2 questions and I apologize. Is ** _____ ** a firm
3 transportation customer?

4 A When ** _____ ** was a shipper, their contract I
5 believe is listed as a firm agreement.

6 Q Have you described the relationship that Omega has
7 with Fort Leonard Wood as an agency agreement?

8 A I have not.

9 Q Would you describe that as a contract?

10 A Omega sine February 1st of 2005 holds firm
11 transportation capacity on both Missouri Pipeline Company and
12 Missouri Gas Company and I believe we established earlier
13 yesterday that Omega now effective July 1st also holds firm
14 transportation capacity on MIG.

15 Q What does Panhandle Eastern charge for
16 interruptible transportation to Curryville?

17 A I don't know. I mean if I had access to their
18 transportation tariff, that would be my answer.

19 Q The maximum --

20 A It would be whatever rate a shipper would negotiate
21 up to the tariff authorized maximum rate.
22 Q If I say a number of thirty-two cents per MCF,
23 would that sound in the range of what you would expect?
24 A I think that would be -- best of my recollection
25 that would be in the range plus fuel.

00201
1 Q When you say plus fuel, are you talking about lost
2 and unaccounted for?
3 A The collection for fuel lost and unaccounted for
4 that pipelines are allowed to charge to reimburse them for
5 the fuel used in transportation, fuel lost and unaccounted
6 for used in transportation.
7 Q MGC has a contract with Omega; is that correct?
8 A That's correct.
9 Q And have they renegotiated since June of this
10 year?
11 A Yes, they have.
12 Q With the new owner?
13 A With the new owner.
14 Q Which as we said yesterday is Tortoise?
15 A Tortoise Capital Resources Corporation.
16 Q Have MGC and MGC charged Omega for gas deliveries
17 to ** ** since April of 2005?
18 A **
19 **
20 Q Can you determine that from these revenue summaries
21 that we're looking at? Because there are some two hundred
22 and five -- you have a two hundred five summary near the back
23 of that exhibit.
24 A 2005?
25 Q 2005.

00202
1 A I'm looking at a sheet here that shows 2005.
2 Q Look at the next page.
3 A MPC revenue.
4 Q No, you were looking at the right page.
5 A **
6
7
8 **
9 Q **
10
11 **
12 A **
13 **
14 Q **
15 **
16 A **
17 **
18 Q When you purchased --
19 A When we purchased the assets or the company of
20 UtiliCorp Pipeline Systems in January or beginning of the
21 year 2002.
22 Q When did that UtiliCorp contract end and when did
23 they go to what I guess is a higher rate then on MGC?
24 A Let me state that a different way. We bought --

25 Gateway bought the stock of UtiliCorp. The contracts between
00203

1 the pipelines and their customers did not terminate as a
2 result of that transaction.

3 Q Okay.

4 A There were discount agreements in place with the
5 customers, with most of the customers, that after the
6 acquisition was completed we began either reducing the level
7 of those discounts or in some cases eliminating the
8 discount.

9 Q ** **
10 A **

12 **

13 Q ** **

14 A **

15 **

16 Q ** **

17 A ** **

18 Q **

19 **

20 A ** **

21 Q **

22 **

23 A ** **

24 Q With a billing date of the 15th of the month? Was
25 their billing date the 15th as opposed to the first?

00204

1 A I believe -- again, you're starting to venture into
2 an area where, again, I'm going to express my concern about
3 providing testimony of the business of Omega. I'm also aware
4 of the fact that you've got copies of the contracts that
5 Omega has in place with its customers and I would say that
6 those contracts speak for themselves. But it would be my
7 belief that all of those customers are invoiced on the 1st of
8 the month or more appropriately the first business day of the
9 month.

10 Q Okay. Since you made that correction, you're
11 saying invoices are mailed on the first business day or
12 emailed on the first business day of the month as opposed to
13 automatically going out on the very first day of the month?

14 A Right.

15 Q I'm handing you what I believe is a page from your
16 tariff. This will be Exhibit 5.

17 Do you recognize that; I'll call it a map.

18 A I believe, yes. There's one here for MGC and one
19 for MPC both.

20 Q And as I read at the top of the first of those
21 pages it says on the left MO P.S.C. No. and then there's a 2
22 and then the next space it says 2ND revised on Sheet NO. 3,
23 correct? Did I read that correctly?

24 A You're reading this top line?

25 Q Yes.

00205

1 A Yes, I believe so.

2 Q And it says right below that FOR: All Delivery
3 Points, right?

4 A Correct.

5 Q And then the second page, I'm just going -- it's

6 REVISED SHEET No. 3 as well, correct? It says MO P.S.C. No.

7 3, then the next column it says 1st (Revised) SHEET NO. 3.

8 And that is MPC or Missouri Pipeline Company, correct?

9 A That is correct.

10 Q Do these show all of the delivery points off of

11 both of the pipelines?

12 A **

13

14

15 **

16 Q And if that were updated, would it go between four

17 and six or tell me which numbers, where it would go?

18 A It would go down next adjacent to number seven.

19 Q So Pulaski County?

20 A In Pulaski County.

21 Q And Missouri Pipeline Company MPC Interconnects, is

22 that one accurate?

23 A I think as it exists today this is current.

24 Q Is Number 3 on that sheet where MIG comes in?

25 A Well, just above -- you're right. It should

00206

1 reflect the receipt of gas from MIG, which is just above

2 where three is located. Somebody's written MPT on there, but

3 it's approximately that location. It's actually where MIG

4 comes in.

5 Q That may have meant to be MRT, I don't know. But

6 where that is listed is MRT the interstate pipeline that --

7 A It's the pipeline on the other end of MIG that

8 delivers gas into MIG that is then interconnected or

9 connected with MPC on the west side of the river.

10 Q Let's look where it says Sullivan down there, five

11 and six; do you have multiple customers at that particular

12 interconnect?

13 A Well, I think five is intended to reflect the

14 delivery point to Missouri Gas Company and six is the

15 delivery point to Sullivan. This lists Fidelity, but

16 Fidelity has now transferred that agreement and sold the

17 distribution system to Laclede, so that would be Laclede at

18 Sullivan now.

19 Q Anyone else off of that particular interconnect?

20 A I'm not sure I understand the question.

21 Q You deliver to the Sullivan city gate, correct? Do

22 you deliver to anyone else at that point? Another city later

23 on or an industrial or --

24 A No, no. Not that -- no.

25 Q If we look at MGC interconnects, it doesn't really

00207

1 have a name besides any of these; is that right, like the

2 prior -- the MPC interconnects have names of the cities or

3 St. Peters and Wentzville. This map does doesn't have any

4 names, right?

5 A Well, effectively it does.

6 Q I see.

7 A Two is the City of Cuba, three is the City of St.

8 James, four it lists Missouri Public Service -- that's now

9 AmerenUE at Rolla -- five is the delivery point at Fort
10 Leonard Wood, which Omega now is the shipper to, six St.
11 Robert, seven Waynesville. Eight and nine, again, is
12 AmerenUE at Salem and Owensville.

13 Q **
14 **
15 A Yes.
16 Q **
17
18 **
19 A ** **
20 Q ** **
21 A ** **
22 Q Are there meters installed at each of those points
23 that indicate an interconnect on both maps?
24 A There is -- on the first page where it identifies
25 number one, the receipt point for the Missouri Pipeline,
00208
1 there is not a meter at that location, which is functionally
2 equivalent to the second page where location number five,
3 which is the other side of that MOGas Company delivery from
4 Missouri Pipeline, there is not a meter.
5 There is not a interconnect meter between MIG and
6 MPC at the connection point between those two pipelines.
7 Okay?
8 Q Yes. Thank you.
9 A And that was Exhibit 5.
10 Q Five, that's correct.
11 Who in your organization takes responsibility for
12 MPC and MGC tariffs? Who is your tariff manager?
13 A I guess I'd have to say I am.
14 Q Have you modified the tariffs since you bought the
15 company from -- the companies or the pipelines from
16 UtiliCorp?
17 A I think the only tariff modifications that we have
18 made was the change of the name, which when we converted them
19 from C-corps to LLCs, which occurred I believe at the end of
20 the year of 2002.
21 Q Why did you decide to convert from C-corps to
22 LLCs?
23 A Just it was more efficient. We're a privately held
24 company. It's pretty much standard practice to set up
25 limited liability companies in those cases and all we were
00209
1 doing in that process is changing the full organizational
2 structure to be consistent from top to bottom to limited
3 liability companies.
4 Q Are tax implications involved --
5 A Certainly are.
6 Q -- in that decision? Okay.
7 **
8
9 **
10 A **
11 **
12 Q **
13 **

14 A ** _____
15 _____
16 _____
17 _____
18 _____
19 **
20 Q ** **
21 A ** **
22 Q ** **
23 A ** **
24 Q ** **
25 A ** **

00210
1 ** **
2 --
3 Q Okay.
4 A -- then you can read the agreement. It would say
5 whether or not it's interruptible or firm.
6 Q To whom does Willard make its payments? When they
7 pay their invoices, where do they wire transfer the funds or
8 pay by check or whatever?
9 A I think -- I mean, again, you're asking me to
10 testify relative to a previous employer and in a company that
11 has been sold and which does not have legal representation at
12 this deposition. So I'm not going to answer those
13 questions.
14 Q Has Omega reimbursed MPC and MGC; has it reimbursed
15 the pipelines for the full amount collected from the Fort for
16 transportation? Have MPC and MGC been fully reimbursed for
17 the full amount collected from the Fort?
18 A The pipeline -- Omega to my knowledge has paid the
19 full amount of the invoices that had been provided to them
20 for transportation of gas per the terms of their
21 transportation agreement.
22 Q So did Omega collect more?
23 A But aren't you asking me now as to what Omega's
24 business arrangement is with the Fort? And, again --
25 Q What was it?

00211
1 A I'm not going to testify to that.
2 Q Okay.
3 A I believe you know that's a completely separate
4 agreement and an entity that's been dismissed from this
5 case.
6 Q Except for discovery; is that correct? They've
7 been dismissed from the case except for discovery; is that
8 your understanding?
9 A I understand that the original complaint case named
10 Omega as a party and that complaint against Omega has been
11 dismissed.
12 Q Are you aware that it's except for discovery
13 issues?
14 A Yes.
15 Q Your answer is yes for the --
16 A Yes.
17 Q Well, I'd like to go through some income tax
18 questions.

19 A I couldn't wait.
20 Q Can't wait to ask.
21 A Right.
22 Q On the Form K-1, if MPC has income or losses, where
23 does that appear on the Form K-1?
24 A Boy, I'm not an income tax -- I'm not an accountant
25 nor an income tax preparer and without something to refer to
00212
1 this is going to be pretty unproductive.
2 Q I mean if you don't know, it's fine just to say
3 that.
4 A I don't know what you're referring to.
5 Q Does MPC file federal income taxes?
6 A It's my understanding that MPC since its conversion
7 to a limited liability company as I understand the
8 terminology is a disregarded entity and does not file an
9 income tax return since a hundred percent of it is owned by
10 its parent.
11 Q So then the next question is does the parent file
12 income tax returns?
13 A Well, its immediate parent in the organizational
14 chart is United Pipeline Systems, LLC, which is also a
15 disregarded entity since it's a hundred percent owned by
16 Gateway Pipeline Company. And it's my understanding that
17 Gateway Pipeline Company does file federal income tax
18 returns.
19 Q What about Missouri; does Gateway file Missouri or
20 do any of the other entities file Missouri income tax
21 returns?
22 A I don't think they would if they don't file the
23 federal return.
24 Q I know we discussed employees yesterday. If you'll
25 refresh my memory, does MIG have employees?
00213
1 A No.
2 Q But you mentioned some of your pipeline service
3 people, they have done some work for MIG; is my recollection
4 correct?
5 A That's true.
6 Q ** _____ **
7 _____
8 A ** _____
9 _____ **
10 Q ** _____
11 _____ **
12 A ** _____
13 _____ **
14 Q ** _____
15 _____ **
16 A ** _____ **
17 Q Who negotiated those contracts or that contract?
18 A I represented MIG in that negotiation.
19 Q And on the other side?
20 A Well, it was parties from the Laclede.
21 Q Mr. Neises?
22 A Mr. Neises executed the agreement.
23 Q Mr. Matthews?

24 A Was involved.
25 Q Mr. Godat?
00214
1 A Yes, was involved.
2 Q What attorneys? Mr. Pendergast, Mr. Zucker?
3 A I don't specifically know. I dealt with the
4 business folks and I can't tell you who or what attorneys
5 were involved with that.
6 Q Mr. Neises is an attorney; I'll note that for the
7 record.
8 Did you negotiate the transportation agreement
9 between Missouri Interstate Gas and Omega?
10 A You're talking about the one we just entered into
11 effective July 1?
12 Q Yes.
13 A Yes, I was.
14 Q **
15
16 **
17 A **
18
19
20 **
21 Q **
22
23 **
24 A **
25 **

00215
1 Q Since Omega's been sold, who would have then
2 negotiated on the other side of that agreement?
3 A I negotiated that with their new president, Jay
4 Hopper.
5 Q And you said he's located out of Colorado, right?
6 A I believe he's in Fort Collins.
7 MS. SHEMWELL: Shall we take five?
8 THE WITNESS: Any time.
9 MS. SHEMWELL: Okay. People on the phone, we will
10 take five minutes. At 10:30 we're going to open the port at
11 the new number, which is (573) 522-8027, so if you will hang
12 up I've asked Sharon to open the port about 10:25.
13 We're going to took a five minute break now. I
14 have 10:00 straight up. We'll be back at five after.
15 (Whereupon there was a brief recess).
16 MS. SHEMWELL: Okay. We will go back on the record
17 for about a little more than fifteen minutes and then we will
18 switch to the other phone lines.
19 Q (By Ms. Shemwell) Have you had any major repairs on
20 the pipeline since 2002 other than what you replaced; major
21 repairs?
22 A No. I mean I hesitate only because repairs can be
23 a pretty broad scope of potential projects. In terms of
24 fixing things that don't work as they were designed I would
25 say, no, we have not.

00216
1 Q For example, I would not consider a meter
2 replacement to be a major repair; would you agree with

3 that?

4 A Or the regulator replacement project that we did at

5 Panhandle; even though it was a significant amount of

6 dollars, I wouldn't consider that a repair.

7 Q Let me just ask you about that. Would that have

8 been recorded as repair or maintenance or would it have been

9 capitalized, that sort of thing?

10 A I believe the work that was done in 2005, keeping

11 in mind that we just did the second half of that in 2006, was

12 capitalized.

13 Q I'd like to ask you a few questions about MIG.

14 Does MIG have any Illinois customers currently?

15 A It does not.

16 Q Are you aware of potential Illinois customers?

17 A I am.

18 Q Would you mention the names?

19 A You know, that's really pretty sensitive material

20 in terms -- even under this highly confidential environment.

21 I prefer not to.

22 Q ** _____ **

23 A ** _____ **

24 Q ** _____ **

25 A ** _____ **

00217

1 Q ** _____

2 _____ **

3 A ** _____

4 _____ **

5 Q ** _____

6 _____ **

7 A ** _____

8 _____ **

9 Q ** _____

10 _____ **

11 A ** _____

12 _____ **

13 Q ** _____ **

14 A ** _____

15 _____

16 _____

17 _____

18 _____

19 _____ **

20 Q ** _____

21 _____ **

22 A ** _____

23 _____

24 _____

25 _____ **

00218

1 ** _____

2 _____

3 ** _____

4 Q Physically can it do so today?

5 A It does not have any delivery points in Illinois

6 today, so the answer would be no.

7 Q What would be required?

8 A Either one of two things. Either establish a new
9 delivery point or to change the interconnect point with MRT
10 to allow bidirectional flow.

11 Q And today that interconnect point with MRT does not
12 allow flow other than into Missouri; is that correct?

13 A That's correct.

14 Q From our conversation you do not have contracts in
15 place; is that correct? Do you have contracts in place?

16 A For?

17 Q You've described them as prospective customers, for
18 the Illinois customers?

19 A Okay. For the prospective Illinois customers off
20 of MIG?

21 Q Yes.

22 A There are no contracts in place.

23 Q Are there other contracts for Illinois that you'd
24 like to discuss?

25 A We've talked about Omega and Laclede.

00219

1 Q Right.

2 A One has started, one has been executed and has not
3 yet started.

4 Q The Laclede contract?

5 A Yes.

6 Q I was thinking about contracts with your
7 prospective Illinois customers and you're saying there are no
8 contracts signed yet; is that correct?

9 A That's correct.

10 Q In terms of MIG does MIG reflect in its plant in
11 service the acquisition of adjustment that UtiliCorp paid
12 Edisto, E-d-i-s-t-o?

13 A I don't know what you're talking about.

14 Q It was our understanding that UtiliCorp paid Edisto
15 an acquisition premium. Do you know if that's reflected in
16 MIG's current plant in service account?

17 A I do not know. What I do know is what is reflected
18 in the plant in service account based on the acquisition that
19 was done between Gateway and UtiliCorp Pipeline.

20 Q What was done in that circumstance?

21 A And that was fully reflected in the acquisition
22 application that was filed before the Commission in 2001.

23 Q Which commission?

24 A Missouri Public Service.

25 Q Well, there's also the FERC Commission, so that's

00220

1 why I wanted to distinguish.

2 A Okay.

3 Q So my memory is not as good as yours about the 2001
4 filing. Was the acquisition adjustment included on the plant
5 in service?

6 A But, again, you're talking about an acquisition
7 adjustment that theoretically occurred sometime previous to
8 Gateway's acquisition. Gateway acquired a hundred percent of
9 the assets at their then net book value. Part of those
10 assets had not yet been placed in service.

11 Q Which part of those assets?

12 A The assets that were held at UtiliCorp Pipeline

13 Systems that were eventually transferred to MIG that were
14 then placed in service subsequent to the FERC application for
15 certification of MIG and its cost of service based on its
16 acquisition cost of those assets.

17 Q Is the bottom line that the acquisition premium was
18 included in the plant in service for MIG?

19 A I think you're making a broad assumption that I
20 can't concur with.

21 Q What can you say about that?

22 A I can say that a hundred -- that the purchase price
23 of the UtiliCorp Pipeline Systems was at the then net book
24 value that were on UtiliCorp's books at the time of the
25 acquisitions.

00221

1 Q Net book value; tell me what that means?

2 A It's original cost less depreciation.

3 Q Was the value -- was the market value of MIG
4 affected by the fact that it didn't connect to any -- the
5 intrastate pipeline, MPC and MGC?

6 A I don't understand the question.

7 Q MIG came under the river, correct? When you bought
8 it, MIG -- it was called something else and it came under the
9 river, but was not connected to any Missouri pipelines; is
10 that correct?

11 A Let me state it a little differently.

12 Q Okay.

13 A There was an asset that was not -- that had not
14 been placed in service.

15 Q And MIG was that asset?

16 A Consisted of several miles of twelve inch pipeline
17 that crossed the Mississippi River. It was that asset that
18 was extended and connected that became the assets of MIG.

19 Q What did you pay UtiliCorp for that asset?

20 A As I just said, the transaction between Gateway and
21 UtiliCorp was for the net book value of the assets that were
22 held collectively by UtiliCorp Pipeline Systems. That
23 collection consisted of MPC, MGC and the assets that had not
24 been placed into service that were held by UPS.

25 Q So what percentage of that was for the assets as

00222

1 you described it that became MIG?

2 A **

3 _____

4 _____ **

5 Q ** **

6 A ** _____

7 _____ **

8 Q Have you evaluated whether you need Commission
9 approval to merge MPC and MGC into MIG as a single entity?

10 A I believe we laid that analysis out in pretty
11 direct form in the application before FERC.

12 Q So that's in your application at FERC?

13 A Yes.

14 Q And it's discussed in there?

15 A Yes, it is.

16 Q What was MIG doing -- the assets as you described
17 that became MIG, was there anything going on, any activity on

18 that asset when you purchased it, any gas transported?
19 A I believe as we just said those assets were not in
20 service, had not been certificated and as I recall had been
21 prohibited from being utilized by the Missouri Public Service
22 Commission prior to the acquisition of Gateway.
23 Q Was that in the certificate of convenience and
24 necessity, also know as a CCN? Was that contained in the
25 original CCN for UtiliCorp, that condition that you just
00223 described, prohibition?
2 A I don't know where the prohibition would have been.
3 It was our viewpoint that there was no prohibition for the
4 forming of MIG. The prohibition was from MPC to be able to
5 connect with MIG.
6 Q Okay.
7 A And in the application that occurred in 2001 it
8 became an issue and I believe that order stated that MPC
9 could not deliver gas to MIG; it could connect with it, it
10 couldn't deliver gas to it.
11 Q So that condition was contained in the order
12 GM-2001-585.
13 A And you said you didn't remember.
14 Q No, I do remember the number of that. Do you
15 remember the number of that?
16 A I do not.
17 Q And I think I'm referring to Paragraph 8 of the
18 ordered paragraphs by the way, so --
19 A And I don't remember that either.
20 Q Okay. But your memory of yesterday is better than
21 mine.
22 ** _____
23 _____ **
24 A ** _____
25 _____ **
00224
1 ** _____ **
2 Q ** _____
3 _____ **
4 A To provide access to MPC's customers to another
5 interstate pipeline.
6 Q Other than to Panhandle?
7 A That's correct.
8 Q Would you describe that as a benefit to MPC
9 shippers?
10 A Yes, I would.
11 Q Can you quantify that benefit?
12 A I don't know. I mean obviously that would be
13 something better quantified by the shippers. I cannot
14 sitting here today.
15 Q Let me ask does MRT have lower transportation rates
16 than Panhandle?
17 A They do.
18 Q Do you know how much?
19 A Roughly speaking MRT's transportation rates are
20 about half of Panhandle's rates.
21 Q Do they have different sources of gas?
22 A They do.

23 Q Would you describe that; is it Gulf as opposed to
24 Mid-Continent or what?
25 A MRT's primary sources are from interconnects with
00225
1 other pipelines and extend as far south as northern
2 Louisiana, which tends to put it price wise closer aligned to
3 Gulf Coast pricing than Mid-Continent pricing. Panhandle
4 transports directly out of the Mid-Continent, which gives it
5 Mid-Continent pricing.
6 Q Is the Mid-Continent generally Colorado --
7 A No.
8 Q -- area?
9 A No. I mean Colorado -- what is generally referred
10 to as Rocky Mountain prices. --
11 Q Right.
12 A -- is generally something discounted off of
13 Mid-Continent prices, so it's cheaper than Mid-Continent
14 prices which are cheaper than Gulf Coast prices.
15 Q So where's the Mid-Continent gas? Where does it
16 originate? What's the wellhead area?
17 A Well, we're talking about a general area north
18 Texas, Oklahoma, southwestern Kansas, Hugoton and Anadarko.
19 Q And so did your shippers know that MPC held
20 discounted capacity on MIG?
21 A I believe they did. I offered just I mean
22 everybody that I knew access to that point through MPC
23 without an additional charge.
24 Q Not many people took you up on that at the time
25 though; is that right?
00226
1 A That's correct.
2 Q Did MPC hold title to any gas during that period?
3 A No.
4 MS. SHEMWELL: I think it's time for us to hang up
5 on this line. Everybody on the phone, Sharon should be
6 opening the port. We're going to call (573) 522-8027 and
7 hopefully we will reconvene in five minutes or less. Okay.
8 PHONE PARTICIPANT: Lera, I think it may be 8022;
9 you may want to check that, those last four numbers.
10 MS. SHEMWELL: I'm sorry. I'm looking at Thursday.
11 You're right. Thank you, Dave. It's 8022; (573) 522-8022
12 thank you, Dave. You saved us.
13 PHONE PARTICIPANT: Okay.
14 MS. SHEMWELL: All right. We'll talk to you soon.
15 (Whereupon there was a brief recess).
16 Q (By Ms. Shemwell) We discussed yesterday that you
17 use a flow model called Bradley Bean who was an individual;
18 is that right?
19 A He has a company. Mr. Bean is certainly the
20 principal in it. I don't think he's a single person
21 company.
22 Q That's different from your Gas Work software; is
23 that right?
24 A No, it is the same.
25 Q It is the same.
00227
1 A That's what he calls his flow model, Gas Works.

2 Q What's the accounting model that B.J. uses that has
3 Works in it?
4 A It's QuikBooks.
5 Q QuikBooks. I recognize you're not an LDC, but have
6 you run that model for a peak cold day situation on your
7 system? Did Ryan do that?
8 A Well, what has been produced to staff in this case
9 is a flow model based on a modeling that Ryan did run on that
10 software to simulate peak day flow requirements and max day
11 flow requirements.
12 Q So is your answer to that question yes?
13 A Reask the question.
14 Q Have you run that model for cold peak day
15 situations on the system?
16 A Yes.
17 Q You've done flow studies, right?
18 A Yes.
19 Q That's part of what Ryan has done in all the lost
20 and unaccounted for studies that you described yesterday?
21 A Right.
22 Q When you were counting your lost and unaccounted
23 for, did you have source documents for physical readings that
24 he input into the system? Example, did you take physical gas
25 meter readings that he put into the system?

00228

1 A Again, I thought we did spend some time talking
2 about that --
3 Q Yes, we did.
4 A -- process of what happens relative to the daily
5 exercise of pulling the information out of the SCADA system
6 as it relates to flow measurement, putting it into -- it is a
7 manual process that puts it into what we generally refer to
8 as the gas volume accounts that keeps track of nominations
9 and deliveries and receipts and the calculation of fuel lost
10 and unaccounted for.
11 Now once that transaction has occurred and it's
12 balanced at the end of the month there are no -- we do not
13 keep source documents once we verified and saved the volumes
14 that are used in the billing process.
15 Q Did you personally review the volumetric
16 information from the SCADA system that Patty receives; do you
17 review that?
18 A In a variety of ways the answer would be yes.
19 Obviously I do not look at the daily transfer of the SCADA
20 readings over to the accounting, but once they're in the
21 system I see the results of that transfer and also see the
22 volumetric reports which are included in the customer's
23 monthly bills.
24 Q You said yesterday that MIG has a new contract with
25 Laclede that starts in November?

00229

1 A That's correct.
2 Q Are there any special provisions, terms or
3 conditions that would vary from your standard MIG tariff
4 provisions?

5 A **
6 **

7 Q ** _____
8 _____ **
9 A ** _____
10 _____
11 _____
12 **
13 Q Will you provide us with a copy of the contract?
14 A I believe you are already in the process of --
15 you've already requested it and we're in the process of
16 putting together a protective order so that all of the
17 contracts that were filed in the consolidation case can be
18 provided to you and that would be included in that.
19 Q ** _____ **
20 A ** _____
21 _____ **
22 Q ** _____
23 _____ **
24 A ** _____
25 _____ **
00230
1 Q ** _____ **
2 A ** _____
3 _____ **
4 Q ** _____
5 _____
6 **
7 A ** **
8 Q Was MPC's contract with Laclede renewed in late
9 2005?
10 A Yes, it was.
11 Q What changes were made from the prior contract?
12 A ** _____
13 _____
14 _____
15 **
16 Q Omega's contract with MIG, will you state the
17 reservation rate?
18 A Again, you're talking about customer sensitive
19 pricing information. I'd prefer not to talk about those. I
20 mean they are -- again, it's something that will be disclosed
21 in the contracts that were filed in the FERC case that you,
22 you the Missouri Public Service Commission, has requested
23 copies of and are in the process of securing a protective
24 order for those agreements. And as far as I know they'll be
25 produced as soon as they can get that protective agreement or
00231
1 confidentiality agreement signed.
2 MS. SHEMWELL: Hello, who's just joined us,
3 please?
4 MR. ZUCKER: This is Rick Zucker. It took me a
5 little while to get over.
6 MS. SHEMWELL: Okay.
7 Q (By Ms. Shemwell) What about the MDQ on that; same
8 response or --
9 A Excuse me?
10 Q The MDQ on the MIG Omega?
11 A Well, it's for the same MDQ as currently in place

12 for Omega for MPC and I believe you already have a copy of
13 that agreement.

14 Q ** _____ **
15 A ** _____ **
16 Q ** _____
17 _____ **
18 A ** _____
19 _____ **

20 Q Do MPC, MIG or MGC, have they negotiated agreements
21 regarding the pipeline with any shipper or marketer other
22 than the transportation contracts that we have?
23 A State that again.
24 Q I'm asking if either of three pipelines have
25 agreements other than the transportation contracts that we

00232

1 have? We can come back to that if you would like me to pull
2 those contracts.
3 A Let me see if I can -- let me say I think you have
4 copies of all of the contracts that were identified in the
5 revenue summary for 2004 and that's Exhibit 4 and I do not
6 believe there have been any new shippers added since that
7 time.
8 Q Since 2004?
9 A No, since 2005.
10 Q Okay.
11 A Which is in Exhibit 4. To be specific in that,
12 there are other agreements that I would refer to as inactive
13 agreements, interruptible inactive agreements, that I haven't
14 included just because they haven't been used and they are not
15 active agreements.
16 Q Are they with anyone that's not on that list?
17 A Again, I think we covered yesterday that Ameren
18 Energy Marketing has a transportation agreement,
19 interruptible transportation agreement. I think Oneok has an
20 interruptible transportation agreement that hasn't been used
21 in some time. I don't recall any others.
22 Q Why wouldn't they be used?
23 A Well, they're interruptible agreements and it's up
24 to the shipper as to whether or not they want to use them. I
25 mean it's not an issue with the pipeline.

00233

1 Q I'm going to hand you Exhibit 6, what we'll mark as
2 Exhibit 6. I apologize for the quality of the copy.
3 Do you recognize this document?
4 A Generally, yes.
5 Q Is that your signature at the bottom?
6 A Yes, it is.
7 Q You were president, accepted and agreed to this
8 16th day of September, and August has been crossed out, 2002,
9 right?
10 A Yes.
11 Q And it was signed by the mayor of Cuba?
12 A Appears to be.
13 Q I do not know what that says. Okay?
14 A Okay.
15 Q So you've seen this document?
16 A Yes.

17 Q Have you seen this document prior to today?
18 A I would -- since it appears to be my signature I'd
19 have to say yes.
20 Q It's dated August 9, 2002, at the top, right?
21 A Right.
22 Q Does this document show the transportation rate
23 between MGC and the City of Cuba for August 9th, 2002 -- or
24 I'm sorry, September 1st, 2002, through June 30th, 2003?
25 A I mean that's -- I mean that's what the agreement
00234
1 says, so based on the fact that that's what the agreement
2 says I would believe that would be true.
3 Q Did the company provide this document to staff as a
4 result of a data request?
5 A I don't believe so.
6 Q Did they obtain it informally in the investigation
7 prior to opening a case?
8 A From?
9 Q From you.
10 A **
11
12 **
13 Q **
14
15 **
16 A ** **
17 Q **
18 **
19 A ** **
20 Q ** **
21 A ** **
22 Q ** **
23 A ** **
24 Q **
25 **
00235
1 **
2
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4 A **
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22 ** _____

23 _____

24 _____

25 _____ **

00236

1 ** _____

2 _____

3 _____

4 _____

5 _____

6 _____

7 _____

8 _____

9 _____

10 _____

11 _____

12 **

13 Q How long did that change in the way you figured

14 reservation rate or determined that, how long did that

15 agreement last? Did it go beyond June 30th?

16 A I believe it terminated at the end of -- for the

17 ** ** it terminated by the end of June of 2003.

18 Q Was this arrangement offered to all other customers

19 on the pipeline?

20 A I think subsequent to this the City of Cuba was as

21 I recall the first to in effect promote and agree to this

22 type of an arrangement. After that all of the cities tend to

23 talk to each other and I promised to offer all of the cities

24 an equivalent rate; to what was being offered to one

25 municipality I would offer to the others since they were all

00237

1 relatively the same size.

2 Subsequently I did offer the other three

3 municipalities a commoditized rate for transportation on

4 Missouri Gas Company as well.

5 Q When that ended, when this agreement ended, then

6 how was the rate determined?

7 A For the City of Cuba it went back to a reservation

8 rate and a commodity rate.

9 Q And so they would have been charged year round as

10 we discussed?

11 A That's correct.

12 Q And did that occur for all other customers that

13 accepted this as well?

14 A ** _____

15 _____

16 _____

17 _____

18 _____

19 _____

20 **

21 Q ** _____

22 _____

23 **

24 A ** **

25 Q Do you know were you required to report this to the

00238

1 Missouri Commission under your tariff?
2 A I believe we would have, yes.
3 Q Do you know if you did?
4 A It would be my expectation that we did.
5 Q Does that mean you don't know for --
6 A I don't recall at the moment whether or not it
7 was.
8 Q So the next year's agreement with the ** _____ **
9 did not contain this provision; is that what you have said?
10 A I believe that's true.
11 Q I have a couple of follow up questions from
12 questions yesterday on when you worked at KN Energy. Did you
13 become aware of the FERC violations when you worked at KN
14 Energy? Let me rephrase. When you worked at KN Energy, did
15 you become aware that the FERC was investigating KN Energy?
16 A I was aware that there was some investigation
17 related to marketing affiliate transactions, but I wasn't
18 directly involved with that investigation, no.
19 Q Were you aware of any situations that would have
20 been violations with the marketing affiliate?
21 A Not directly. I had no direct knowledge of what
22 was being investigated or the specific transactions.
23 Q So does that mean you may have heard from somebody
24 about it generally, but you had no --
25 A You provided me a document yesterday that had some
00239
1 information in it in terms of specific types of transactions
2 and it was really the first that I had seen of that or
3 recalled it in years.
4 Q Do you know the names of the individuals at KN who
5 were being investigated?
6 A No. That's a long time ago.
7 Q I have a question about nominations. You indicated
8 that only essentially LDC shippers match their nominations
9 closely with their usage and you indicated it wasn't unusual
10 for other shippers to vary their nominations or even not for
11 nominate a particular day. Is that a fair summary?
12 A I'd say that there is experience with that, yes.
13 And specifically talking about in terms of the close
14 nomination of those LDCs that have the ability to in effect
15 dispatch volumes through our system to their system where
16 it's integrated with a larger distribution system that's
17 receiving gas from more than one supplier being these
18 pipelines.
19 Q A shipper who has not nominated volumes for that
20 day, would they in essence be using the gas nominated then by
21 other shippers on the system?
22 A No.
23 Q If they haven't nominated for that day, what gas
24 are they using?
25 A Well, you're talking about overall. Every shipper
00240
1 receives more or less gas than was nominated. And I'd have a
2 difficult time believing that there's ever been an instance
3 where it was exactly the same.
4 Q Okay.
5 A So every delivery point and every -- not limited to

6 delivery point. Every shipper has a difference between their
7 nomination every day. The only thing you're talking about
8 here is whether or not that nomination was zero for that day
9 or was a number for that -- a number different than zero for
10 that day.

11 Q And under the situation where it's zero, but
12 they're still receiving gas?

13 A It wasn't any different than if it was a number,
14 for instance. If it wasn't zero, if it was one, the only
15 difference is that the imbalance is now less one for that
16 day. I mean the deliveries, the revenues are not changed.

17 MS. SHEMWELL: I'm going to hand out what is seven.
18 If you'd think about the idea, Paul, that we do require the
19 data requests be signed by someone; Mr. Ries or whoever has
20 provided the answer, to either sign or blanket as you have
21 indicated indicating that they're signing for certain number
22 or to sign individually. How do you want to go forward on
23 that?

24 MR. DEFORD: I mean think I think Mr. Ries has
25 provided almost all of the documents that we've discussed and
00241

1 provided in discovery. So if you want to do a blanket, I
2 think that's probably fine. I don't know that anyone else
3 has actually produced documents.

4 MS. SHEMWELL: Why don't you and I try or I'll try
5 at noon to work up something and maybe we can --

6 MR. DEFORD: Sure.

7 MS. SHEMWELL: -- agree on something.

8 MR. DEFORD: Sure.

9 Q (By Ms. Shemwell) All right. Back to this Exhibit
10 7. Do you recognize the pages that are shown behind the data
11 request as OBA trackers?

12 A That's what it's got at the top of the page, yes.

13 Q Do you recognize this information?

14 A Generally, yes.

15 Q And as you look across the top line it says
16 shipper -- down the chart it says shippers Cornerstone,
17 AmerenUE, Laclede, Oneok, Omega, Proliance; is that correct?

18 A Yes.

19 Q ** _____

20 _____

21 ** _____

22 A ** _____ **

23 Q ** _____ **

24 A ** _____ **

25 Q ** _____ **

00242

1 ** _____ **

2 A ** _____

3 _____ **

4 Q ** _____

5 _____ **

6 A ** _____ **

7 Q ** _____

8 _____

9 _____

10 _____

11 _____ **
12 A **
13 **
14 Q ** **
15 A **
16 _____ **
17 Q ** **
18 A **
19 _____ **
20 Q **
21 _____ **
22 A ** **
23 Q -- for the remaining --
24 A Or in this case we refer to them as decatherms.
25 Q Decatherms. We refer to them -- I refer to them as
00243
1 molecules when I'm referring to commodity because we agree,
2 right, that it all mingles in on a system and you don't know
3 who has put in what?
4 A I just don't have the ability to count molecules.
5 Q Okay. So every following day they might have used
6 ** ** decatherms; is that correct?
7 A I doubt it. Where you see, you know, there was
8 what was actually nominated for the month was ** ** if you
9 look down at the totals.
10 Q Yes.
11 A They may very well have used ** ** a day.
12 Q How does it work on the system if they put this
13 much in at the beginning that they can continue to use at the
14 end of the month?
15 A Well, you know, it's really not any different than
16 any of the other shippers. If you look at the next line over
17 you see where ** ** started out with ** ** and then halfway
18 through the month dropped to ** **. It was fairly clear that
19 they were in essence putting more gas into the pipe than was
20 being taken off of the pipe, so there was an imbalance
21 created and that imbalance is in effect consolidated all into
22 Missouri Pipeline Company as an imbalance between Panhandle
23 Eastern and Missouri Pipeline Company on any given day.
24 Q Could you explain to me physically how it works.
25 Let's say Omega has put in this 10,000. Would that have gone
00244
1 in all on the first of the month that 10,000 decatherm?
2 A Well, I think if you look over on the sum total of
3 those nominations where it says total Panhandle PEPL
4 nomination, which is the sum of all of the nominations for
5 all of the shippers, the next column over to it shows what
6 the actual deliveries were for that day. The next column
7 over shows the daily change; i.e., the difference between
8 what was nominated and what was physically delivered.
9 Q At the end of the month do you expect what's
10 delivered to generally match what was nominated?
11 A Yes.
12 Q And in this case at the bottom what was nominated
13 was ** ** decatherms and what was used was ** **
14 correct?
15 A That's correct. And I would view that as generally

16 balancing.
17 Q Are there charges on Panhandle for being out of
18 balance?
19 A There can be.
20 Q And when would those occur?
21 A Well, I don't have good experience at that because
22 we've not had one, but they certainly can. Certainly
23 Panhandle has the ability in their tariff to impose imbalance
24 penalties and those imbalance penalties under an OBA would
25 actually be charged to the pipeline company.

00245

1 Q Then what would happen?
2 A Well, the pipeline would have either to pay the
3 imbalance penalties or figure out who was at fault.
4 Q Do you have a provision in your Missouri tariff to
5 do that?
6 A Actually, no. And to be more specific I believe in
7 about 2003 I actually had conversations with staff about
8 adding a penalty provision. In fact, the basis or the
9 genesis of that was to do something that effectively tracked
10 or mirrored Panhandle penalty provisions and that became such
11 an enjoyable process I just quit doing it, quit working on it
12 all together.
13 Q And you're indicating that you were going to modify
14 your tariffs, but at some point you decided not to continue
15 to pursue that?
16 A Yes.
17 Q These did not -- let's see. If you'll page back --
18 there's a page numbers in the upper right-hand corner of
19 those -- past Page 6. The next page does not have a number
20 at the top. It says Missouri pipeline OBA tracker at the top
21 and it shows a date of August 22nd, '06, correct? Are you
22 there? I can't tell if that's --
23 A I'm on page -- I've got one that's August 20th,
24 August 22nd.
25 Q It's hard to tell if that's an eight or a six.

00246

1 A I believe this is the same as yours. That's
2 right.
3 Q ** _____ **
4 _____
5 A ** _____ **
6 Q ** _____
7 _____ **
8 A ** _____ **
9 Q ** _____
10 _____
11 _____
12 _____
13 _____
14 _____
15 _____
16 _____
17 _____ **
18 A Okay.
19 Q Can you explain that?
20 A No. I mean what I look at is over to the last

21 column or the second to last column from the end where the
22 OBA contract cumulative.
23 Q Yes.
24 A **
25
00247
1 **
2
3
4
5
6
7 **
8 Q As we look like on the 22nd, go across there, the
9 cumulative OBA went down to 7,481; is that correct?
10 A That's correct.
11 Q **
12 **
13 A ** **
14 Q ** **
15 A ** **
16 **
17 Q **
18
19 **
20 A It had very little impact.
21 Q If we go down to the 22nd and we see that
22 cumulative contract OBA, how did it drop off that
23 dramatically on the 22nd? **
24
25 **
00248
1 A What are you talking about?
2 Q I'm looking at --
3 A The percentages on the end are pretty much
4 irrelevant because they're related only to the nominations
5 versus the deliveries and there's a lot of things that can
6 impact that.
7 Q So what would you consider more relevant?
8 A The cumulative imbalance on the OBA.
9 Q **
10 **
11 A **
12 **
13 Q **
14 **
15 A Yes.
16 Q We don't have any total MRT deliveries on here; is
17 that correct?
18 A This is specifically as it relates to OBA tracker
19 for Panhandle Eastern.
20 MS. SHEMWELL: Can I go off for just a moment,
21 please.
22 (Whereupon there was a discussion held off the record).
23 MS. SHEMWELL: Let's go back on the record.
24 Q (By Ms. Shemwell) If you would turn back in this
25 same document, which is seven, Exhibit 7, at the top it says

00249

1 Page 3 and right below that it has the date of March 14th,
2 2006, at 11:58. Are you there?
3 A Yes.
4 Q These are I believe a list of specific purchasers,
5 is that correct, specific purchasers of gas?
6 A Shippers.
7 Q Shippers of gas. On Missouri Pipeline Company?
8 A This appears to be a shipper confirmation between
9 Panhandle and MPC at the MPC delivery point off of
10 Panhandle.

11 Q ** _____
12 _____ **
13 A ** _____
14 _____ **
15 Q ** _____ **
16 A ** _____ **
17 Q ** _____
18 _____ **
19 A ** _____
20 _____
21 _____
22 _____
23 _____
24 _____ **
25 Q ** _____ **

00250

1 ** _____
2 _____ **
3 ** _____
4 _____
5 ** _____
6 A ** _____ **
7 Q ** _____ **
8 A ** _____ **
9 Q ** _____
10 _____ **
11 A ** _____ **
12 Q ** _____
13 _____ **
14 A I don't know what that means.
15 Q Right above that it says volume decatherms?
16 A Yes.
17 Q ** _____
18 _____ **
19 A I know that's what the number says, but I don't
20 believe this is something that I produced.
21 Q Look up at the top right here.
22 A I'm saying this page is not something that I
23 produced.
24 Q ** _____
25 _____ **

00251

1 ** _____
2 _____
3 _____
4 _____

NP

5 _____
6 _____
7 _____ **

8 A Again, I'm going to tell you this is not an area
9 that I feel comfortable providing testimony on without legal
10 representation here from Omega. We're talking about Omega's
11 invoices to Omega's customers. That has nothing to do with
12 the pipelines that were involved with this complaint case and
13 now Omega's been dismissed from this case. I'm not going to
14 talk about this without legal representation.

15 Q This does cover the time period when you were
16 President of Omega; is that correct?

17 A As my role as past president of Omega, yes.

18 Q This is not during the time period since the sale
19 of Omega; is that correct?

20 A To the extent that this is October of 2005 that was
21 before the sale.

22 Q These are all Omega invoices to people identified
23 as Omega customers; do you agree with that statement?

24 A I'm not going to provide testimony as to what this
25 is or is not.

00252

1 Q Does it say at the bottom say you have questions
2 please call Dave Ries?

3 A It does.

4 Q Would it help if I called that number?

5 A Well, I think you'd get the same answer.

6 Q All right. We'll set aside that exhibit.
7 We have established yesterday that you signed the
8 Gateway loan; is that correct?

9 A I believe that's what I said.

10 Q For what entity were you signing; president of
11 Gateway, president of MPC?

12 A Well, if you're specifically talking about the
13 senior secured loan document with the Duke Capital, who was
14 the originator of that loan, I was signing that as president
15 of Gateway Pipeline Company.

16 Q I think we marked this as an exhibit already, but
17 let me look. Let's mark it as Exhibit 9 just in case.

18 The lender is Hudson Bank that we've talked about;
19 is that correct?

20 A I believe we stated yesterday that Duke Capital
21 syndicated this loan. The two parties were Hudson United and
22 CoBank.

23 Q ** _____
24 ** _____
25 A ** _____ **

00253

1 Q Have the tariff rates changed in that time?

2 A No.

3 Q How much of the revenue growth resulted from
4 increased volumes?

5 A I don't have that number available to me. Some of
6 it. I don't know.

7 Q Would you venture a percentage?

8 A No.

9 Q ** _____

15 Q E3?
16 A Could be.
17 Q UPS?
18 A UPS, again, was a part of what was defined in this
19 agreement as the parties or the pipelines or, you know, some
20 other definition, which I'm not completely sure of at the
21 moment. But, you know, could they be? I don't know.
22 Q Page 2 of this document which reflects Page 35 of
23 the secured transaction debt, secured debt agreement?
24 A Senior secured term loan agreement.
25 Q Thank you.

00256

1 A If it's part of the same document, we're obviously
2 missing thirty-three pages.

3 Q Correct. We did not bring the entire thing.

4 A Thank you.

5 Q **

6

7

8

9

10

11 **

12 A **

13

14

15 **

16 Q **

17

18 A **

19

20

21 **

22 **

23 **

24 Q **

25 **

00257

1 A ** **

2 Q ** **

3 A **

4 **

5 Q **

6 **

7 A **

8

9 **

10 Q Which entity is the public utility holding company;
11 do you have one?

12 A No.

13 Q Gateway is not that, right?

14 A I don't think so. I think they're all regulated
15 utilities that operate on their own accord.

16 Q But I was asking about Gateway. Would your --

17 A Gateway is not a utility. Matter of fact, it's not
18 a regulated entity.

19 Q We discussed with B.J. that Missouri Pipeline

NP

20 Company's books reflected an amount of a ** _____ ** for
21 plant that was held for future use. Do you know what that
22 property is?

23 A To the best of my knowledge -- you're saying it's
24 in MPC?

25 Q Uh-huh.

00258

1 A MPC has nothing on its books related to property
2 held for future use. That specific property was put into
3 service when MIG was connected to it.

4 Q So at the time you bought, this may have been
5 MIG?

6 A I don't believe so because it would not have been
7 on MPC's books. I believe it's the connection point that
8 connected to MIG that was there, it was in place; it just
9 wasn't being utilized because it didn't have anything
10 connected to it. So, therefore, it was plant held for future
11 use. It became active plant once MIG was put into service.

12 Q And then what account would that go to? Plant in
13 service?

14 A Plant in service I would guess.

15 Q That's just a guess though you're saying?

16 A I'm not the accountant.

17 Q Would you tell me under plant in service balances
18 there are amounts labeled as acquisition costs; I think it's
19 one million approximately seven hundred and seventy thousand
20 in one account and one million one hundred forty-five
21 thousand in the other. Can you say what those costs were?

22 A In the accounts that you're referring to are you
23 talking about on the books of MPC and MGC?

24 Q Yes, plant in service balances.

25 A Best of my recollection there was the cost

00259

1 associated with completing the acquisitions that involved
2 legal fees, due diligence costs, investigation costs,
3 contracting costs. There were financing costs, loan costs,
4 loan origination fees -- heavens no -- banker fees, attorney
5 fees for doing the loan agreement, travel expenses, you know.
6 We spent the better part of two years -- oh, the regulatory
7 approval processes.

8 From the time that the original letter of intent
9 was signed until the transactional documents were negotiated,
10 all the due diligence was completed, all of the investigation
11 was completed by the banks, all the banking consultants were
12 paid for, loan origination fees, regulatory processes and the
13 transactions finally got closed was in excess of two years.

14 Q Anything else you want to add to that?

15 A It was not a found memory, so it's probably a
16 little sharper than it should be.

17 Q I'd like to talk a little bit again and go back to
18 the loan. Do you know who the current security agent is?

19 A I believe it's Hudson United.

20 Q And the margin as we discussed with B.J. was ** ____
21 ____ **; do you recall that?

22 A Yes.

23 Q Do you know that to be the case?

24 A That is the case.

25 Q Did that depend on any specific judgment by a
00260
1 particular credit agency?
2 A We did get a letter. I don't know that I would
3 refer to it as anything more than significant. It was
4 a letter from Fitch suggesting a ** rating on
5 that debt which allowed us to secure the loans at a **
6
7 Q That's L-i-b-o-r.
8 A You're not going to ask me what that stands for.
9 Somebody told you.
10 Q I'm not going to ask.
11 A Okay.
12 Q So that was Fitch, right. And was that based on
13 the loan or was there an analysis of Gateway?
14 A It was based on the analysis of Gateway.
15 Q You said ** and I think our understanding
16 was just **?
17 A **
18
19 Q Has there been any credit rating analysis since
20 that time?
21 A Not that I'm aware of, no.
22 Q Is there any upstream debt or preferred stock or --
23 what I'm asking about is debt at the MOGas level?
24 A There is an arrangement at the MOGas level with
25 Allied Capital.
00261
1 Q What kind of arrangement?
2 A **
3
4
5
6 **
7 Q ** **
8 A ** **
9 Q **
10 **
11 A ** **
12 Q Do you have any expectation as to what will happen
13 at that time?
14 A I do not know.
15 Q Is that the only debt or preferred stock at the
16 MOGas level you know about?
17 A Yes.
18 Q What's the purpose of it? What's the purpose of
19 the arrangement?
20 A Obviously provide funding for the acquisition.
21 Q Do you know anything else about the terms that you
22 haven't already said?
23 A I mean you'd have to be more specific.
24 Q Does this agreement -- perhaps you've answered
25 this -- contain liens on the assets of Gateway?
00262
1 A **
2
3

9 Q Which is?
 10 A The roughly ** _____ **.
 11 Q And MOGas ownership, is that the one we discussed
 12 yesterday that's ** _____ **from Mr.
 13 Langley and ** _____ ** for you?
 14 A Yeah, it's actually -- I mean that's the
 15 arrangement at the DND level, but --
 16 Q What do you want to add to that; but what?
 17 A Well, DND owns a ** _____ ** of the equity of
 18 MOGas, but the DND agreement allows for ownership of DND,
 19 therefore, effectively of MOGas of the ** _____
 20 **
 21 Q If Mr. Langley put in ** _____ ** percent of the
 22 cash, why is he willing to give you ** _____
 23 ** ownership in DND?
 24 A ** _____ **
 25 Q Are there other reasons?
 00265
 1 A ** _____ **
 2 _____ **
 3 Q Through R2?
 4 A Through R2.
 5 Q R2's contract is with both MPC and MGC?
 6 A Yes.
 7 Q MIG?
 8 A Again, we talked about this yesterday. That
 9 contract -- the cost of those consulting services are viewed
 10 as general overhead costs and are spread based on an
 11 allocation formula amongst all three entities.
 12 MS. SHEMWELL: It is noon. What is the preference
 13 for lunch? You want to take a short -- I'm sorry. Let's go
 14 off the record.
 15 (Whereupon there was a lunch recess).
 16 MS. SHEMWELL: Let's go back on the record and
 17 they can join us when they get here.
 18 Q (By Ms. Shemwell) I had what I hope is one last
 19 question about LUFG, lost and unaccounted for gas. What
 20 numbers do you compare in arriving at your percentage? What
 21 is the .43 the sum of or is that the correct --
 22 A The difference between total receipts and total
 23 deliveries.
 24 Q I want to ask a little bit about compression on the
 25 system. It's my understanding that you discussed compression
 00266
 1 with Panhandle Eastern an addition of compression facilities;
 2 is that correct?
 3 A That's true.
 4 Q When did those discussions occur?
 5 A Well, it's been occurring. I wouldn't say it's
 6 past since we have yet to have done a compression project and
 7 has been occurring on and off for at least early ninety -- or
 8 2004. I don't recall if that was --
 9 MS. SHEMWELL: Hello.
 10 MR. SUMMERER: Dave Summerer.
 11 MS. SHEMWELL: Hi, Dave.
 12 A -- something that occurred prior. They may have
 13 started in 2003, but it's been ongoing for some time.

14 Q (By Ms. Shemwell) Have you done analyses regarding
15 the type and amount of compression?

16 A Well, analysis -- clearly there are relatively
17 quick and dirty ways of determining what beneficial impact
18 would result by adding compression and we're talking
19 primarily at the receipt point from Panhandle. On a limited
20 analytical basis I've absolutely looked at putting
21 compression at other locations, but clearly at the point of
22 Panhandle is the point where it would have the largest
23 impact.

24 The hesitation that I have in regarding analysis is
25 because there's a benefit of putting compression in both from
00267

1 the standpoint of higher operating pressures on the system as
2 well as increased capacity. Higher operating pressures
3 providing more or a higher level of service deliverability,
4 reliability, flow flexibility versus contracted capacity
5 which you would tie revenues to from a firm transportation
6 standpoint.

7 So I'd say, yes, I've done analysis, but to say,
8 you know, is there a study that you can point to that says
9 you need X horsepower for this type of improvement I'd say no
10 we haven't done that. Clearly the issue is who's willing to
11 pay for it.

12 Q Have you looked at the benefits at certain levels
13 in general?

14 A Generally, yeah.

15 Q And so what constraints are there from your MOAP,
16 M-O-A-P?

17 A I usually say that MAOP because it's M-A.

18 Q Okay.

19 A Clearly the pipelines -- and this is an outcome of
20 what we talked a little bit about yesterday in terms of the
21 work that Ryan has done relative to the integrity management
22 process. The pipelines are capable of operating at higher
23 pressures than they currently operate at. Since we don't
24 have compression we're strictly limited to whatever pipeline
25 pressure that Panhandle has available. And for the most part
00268

1 based on normal operating pressures we operate just fine.

2 **

3 _____
4 _____
5 _____ **

6 Q Where is that risk the greatest? Closer to
7 Panhandle, at the end of the system? Let me break that down
8 a little bit.

9 My understanding is that Laclede and Ameren
10 generally rely on this pipeline for pressures on the western
11 side of their system?

12 A Western side for Laclede and southern end for
13 Ameren and I would say, yes, that's true.

14 Q And is that the greatest -- is that the area where
15 there is the greatest risk if Panhandle does not have
16 adequate pressures?

17 A I would say that, you know, defining greater risk
18 is the issue. Is there -- Laclede's major delivery points --

19 and let me focus on a specific delivery point because the
20 largest delivery point further south on Laclede we refer to
21 as the South Point Station; it's just south of Washington,
22 Missouri. It ties into the very western end of Laclede's
23 system. It also, because it operates at intermediate
24 pressures, requires a higher delivery pressure than, say, a
25 Washington city gate, which is an isolated distribution
00269 system that operates at a much lower pressure.
2 So, yes, delivery pressures to Laclede at the South
3 Point Station is an area of concern that I've certainly had
4 discussions with Laclede on.
5 PHONE PARTICIPANT: Can I interrupt for a moment.
6 Would you guys try to shift the microphone towards --
7 THE WITNESS: How's this?
8 PHONE PARTICIPANT: Much better. Thank you.
9 Q (By Ms. Shemwell) I had asked if your maximum
10 operating pressure on the pipeline restricted the amount of
11 compression that you could add. Are you going to exceed your
12 maximum?
13 A Of course not, no.
14 Q So there's a limit there to what you can add?
15 A Yes.
16 Q So you don't exceed it. What about MRT; have you
17 discussed adding compression at that receipt point?
18 A You know, yes and no. If we'd ever got to the
19 point where we were overwhelmed with shipper interest from
20 MRT, there's certainly the potential to increase capacity
21 from MRT and increase the deliveries and, therefore, the
22 capacity to deliver gas into Missouri Pipeline via MIG.
23 Q So you and Panhandle haven't agreed as to who's
24 going to add compression on that end, you or them or --
25 A No, we have not agreed.
00270
1 Q Or exactly where?
2 A It's a matter of who pays for it.
3 Q Is there a minimum pressure needed from the
4 Panhandle at Curryville delivery station in order for you to
5 be able to meet your delivery obligations?
6 A Well, in the latest set of flow diagrams that were
7 produced I think we used a Panhandle pressure of ** ____ **pounds
8 to meet historic peak day flows.
9 Q I think you said, but please help me out again,
10 have you had to curtail deliveries due to pressure
11 problems?
12 A We have not curtailed firm deliveries; we have had
13 curtailments of interruptible deliveries.
14 Q Is that like on cold days or was there other
15 problems or other concerns?
16 A No. Well, on cold days, but it was on days where
17 Panhandle's pressures were declining or not sufficient to
18 provide interruptible services.
19 Q Who did we say had interruptible?
20 A University of Missouri at Rolla, part of the Phelps
21 County Medical. They've had firm and interruptible both.
22 Q Ameren?
23 A Ameren's are not interruptible; those are firm

24 agreements. There are other interruptible agreements that
 25 haven't been utilized, so if they're not used, they're not
 00271 interrupted.

1 interrupted.

2 Q Anybody else?

3 A ** **

4 Q ** **

5 A ** **

6 **

7 Q ** **

8 A ** **

9 **

10 Q ** **

11 A ** **

12 Q Mr. DeFord and I discussed this a little earlier
 13 and it's correct that you will sign either a single sheet or
 14 the data responses as to their truthfulness and correctness;
 15 is that correct?

16 A We can do that, yeah.

17 Q Have you been the president of Gateway Pipelines
 18 since its inception?

19 A I have.

20 MS. SHEMWELL: Hello.

21 MR. WOODSMALL: Hi, Lera. This is Dave Woodsmall.
 22 Sorry I'm late.

23 MS. SHEMWELL: That's all right. Just wanting to
 24 make sure who's on the line.

25 We're continuing our discussion with Mr. Ries and I
 00272

1 just asked him if he's been the president of Gateway since
 2 its inception and he said yes.

3 Q (By Ms. Shemwell) And Gateway Pipeline Company,
 4 Inc., was later converted to an LLC along with the rest of
 5 the corporations?

6 A That's correct.

7 Q When was it first created?

8 A 2001. It may have been late 2000, but I think it
 9 was 2001.

10 Q And is it a Delaware corp?

11 A I believe So.

12 Q Are you registered with the Kansas secretary -- do
 13 you want to take a break and have a brief discussion with
 14 your counsel?

15 A Best of my recollection that's a Delaware
 16 corporation or Delaware limited liability company.

17 Q Is Gateway registered with the Kansas Secretary of
 18 State?

19 A I don't think it is because it doesn't do any
 20 business in Kansas.

21 Q Was there a Gateway in existence before the one
 22 that we're talking about, Gateway Pipeline Company, in
 23 Kansas?

24 A There is another Gateway entity that is actually a
 25 publicly traded company that is not a limited liability
 00273

1 Company.

2 Q Did Gateway take out the lease for the Martindale

3 address in Shawnee, Kansas?

4 A I don't believe so. I believe that property was

5 originally leased prior to the acquisition and would have no

6 reason to be have been in Gateway's name as the lessor.

7 Q During the FERC case we came to a location at

8 approximately Eighty-third and I-35, the fourth floor I

9 believe of that building. Do you recall that location? On

10 the east side of I-35 north of Eighty-seventh Street and

11 there are two identical office buildings there.

12 A I don't -- did we have a -- you're saying I was

13 there?

14 Q No, but I believe we were there on FERC business

15 related to the --

16 A Well, I don't have any recollection of what you're

17 talking about.

18 Q Okay. I have a few follow up questions on Omega.

19 Does Omega have transportation into either MPC or MGC? Do

20 they have purchase agreements including transportation on

21 MPC -- or I'm sorry MIG?

22 A I believe we discussed both yesterday and this

23 morning that **

24 **

25 Q ** **

00274

1 A ** **

2 Q Did Omega hold firm capacity on Panhandle since

3 July 1, 2003?

4 A First we're talking about whether or not Omega had

5 a contractual relationship with Panhandle?

6 Q Yes.

7 A Again, I don't feel comfortable talking about the

8 business relationship of Omega, but I'd also suggest to you

9 that transportation capacity on Panhandle is a matter of

10 public record and it's posted on their website.

11 Q Their website and or FERC website?

12 A It's Panhandle's website.

13 Q Do you know what rate they paid?

14 A It would be on their website. It's a matter of --

15 in FERC policy it's public knowledge. It's either a tariff

16 rate or it's a discount.

17 Q Did Omega nominate gas deliveries into the MPC or

18 MGC system off of Panhandle?

19 A **

20

21

22 **

23 Q ** **

24 A **

25 **

00275

1 Q **

2 **

3 A **

4 **

5 Q Can you park gas on either of the pipelines? Do

6 you know what that means to park gas? Can Omega?

7 A Missouri Pipeline or Missouri Gas do not have

8 tariffs that allow for parking. Park and loan arrangements
9 are generally use of short term arrangements for either
10 parking or receiving gas that large interstate pipelines have
11 the flexibility to use and it's most typically used or
12 available for them on pipelines that have storage connected
13 directly to them. Missouri Pipeline and Missouri Gas don't
14 have that flexibility and don't offer that as a service.

15 Q Does Omega?
16 A Does Omega.
17 Q Have that flexibility and offer that service?
18 A I think that's an Omega business question.
19 Q Does Omega have a business relationship with
20 Laclede Energy Resources?
21 A That's an Omega business question.
22 Q What's the nature of that relationship?
23 A Same answer.
24 Q Who from Omega called LER to let it know how much
25 gas it should buy?

00276

1 A That's an Omega business question.
2 MS. SHEMWELL: Give me just a moment, please.
3 THE WITNESS: Sure.
4 Q (By Ms. Shemwell) I may continue to ask you some
5 questions about Omega, Mr. Ries, and you indicated that you
6 refused to answer. Is that based on the advice of counsel?
7 A No, it's my concern about the lack of counsel here
8 to represent myself and or Omega.
9 Q Do you believe that there's some privilege
10 involved, attorney/client or confessor/priest or any type of
11 recognized privilege involved?
12 A I'm not sure what you mean by that or whether or
13 not there is.
14 Q Certain privileges mean that you don't have to
15 answer the question if posed. For example, if Mr. DeFord
16 would instruct you not to answer or answer about discussions
17 that you've had.
18 A I have not discussed issues as it relates to Omega
19 and my prior relationship with Omega with Mr. DeFord because
20 he doesn't represent Omega.
21 Q And you're aware that I may seek a motion to
22 compel?
23 A I'm certainly you're willing to seek any motion
24 that you would like.
25 Q And you're continuing your refusal to answer?

00277

1 A Yes.
2 MS. SHEMWELL: And we will continue the deposition
3 until we get a ruling on this issue, so we will leave it open
4 at the end until we see what the ruling is.
5 Q (By Ms. Shemwell) Did you discuss B.J.'s
6 deposition with him after the deposition?
7 A Just generally. Obviously B.J. wanted to know how
8 well he did and --
9 Q How well did he do?
10 A I thought he did okay.
11 Q What entity paid him to attend the deposition?
12 A Missouri Pipeline Company.

13 Q And in B.J.'s deposition there was a line of
14 questions about posting customer accounts receivable and
15 revenue each month to the MPC and MGC general ledgers. Do
16 you recall that discussion?

17 A Generally, yes.

18 Q He indicated that paper copies of these customer's
19 bills existed from the time he started keeping them I guess
20 until the date that he left the company. Are those paper
21 copies still maintained?

22 A The paper copies that B.J. talks about does not
23 have the back up information; it only has the top sheet.

24 Q Are those still maintained?

25 A Those have actually been produced.

00278

1 Q So any -- pardon me. My recollection is that he
2 was talking about a cover sheet and then several sheets
3 behind that; is that not your recollection?

4 A That's what he said, but that's not what was
5 provided to B.J. He only had the top sheets and typically
6 B.J. would write all over those top sheets so he didn't have
7 clean copies nor did he have a complete copy of the invoice,
8 which is what was requested in a data production by staff and
9 has taken time to recreate those.

10 Q Do you know why he said he -- I'm going to try to
11 quote him -- lasted four years?

12 A I don't know. Maybe he felt lucky.

13 Q Are you speculating? Do you have any idea what he
14 meant?

15 A I'm just speculating on what he may have meant.

16 Q I would like to discuss ** Are you
17 familiar with the business called ** **?

18 A Again, you're back to talking about Omega's
19 business relationship with its customers.

20 Q I will then reserve those until we get a ruling on
21 those questions and other questions about Omega and the
22 billing.

23 I'm going to hand you this invoice and ask if that
24 is also -- which I believe you have -- if this is a document
25 about which you are refusing to answer questions today.

00279

1 A Well, this says it's an invoice from Omega Pipeline
2 so, yes, I would refuse to answer this.

3 Q I'm going to hand you what I believe will be
4 Exhibit 10. It's my understanding that this is a contract
5 with the City of Cuba; do you agree with that?

6 A Well, what I looked at here is an ordinance that
7 was signed off and passed by the City of Cuba.

8 Q And did you consider that to define your
9 contractual relationship with the City of Cuba?

10 A You're talking about, again, a business transaction
11 of Omega Pipeline. I am not comfortable answering those
12 questions without legal representation.

13 Q Let's just go through a few of these questions and
14 just tell me if you're comfortable answering any of these
15 questions.

16 Are these agreements for firm transportation?

17 A And I'm not going to discuss Omega's business.

18 Q Are there any transportation agreements for
19 interruptible transportation?
20 A Again, I'm not going to discuss Omega's business,
21 but if you've got copies of them you're free to read them and
22 they would stand on their even merits.
23 MS. SHEMWELL: Rather than me going through each of
24 these questions, I will just say that we will reach an
25 understanding that related to Omega's business we will seek a
00280
1 decision from the Commission and or the Court, probably both,
2 and we will defer the remaining questions until that time.
3 I'd like to mark this as Exhibit 11.
4 Q (By Ms. Shemwell) Would you look through those
5 documents, please, Mr. Ries.
6 Are these documents that you are willing to discuss
7 today?
8 A No.
9 Q We will then defer those.
10 This will be Exhibit 12. On the top is a letter
11 from Lathrop Gage signed by Aimee D.G. Davenport,
12 D-a-v-e-n-p-o-r-t. Is that the document that you have in
13 front of you?
14 A One dated June 27, 2006?
15 Q Yes.
16 A Yes.
17 Q The next page is data request 007 from Missouri --
18 or for Missouri Pipeline Company requested from Paul DeFord
19 and requested by David Summerer. And the response which I
20 believe you provided is attached to that; is that correct?
21 A That's correct.
22 Q And there's a facilities agreement between MRT and
23 MIG, right?
24 A That's correct.
25 Q And it's the 9th day of September, 2002, stamped at
00281
1 the top highly confidential?
2 A Yes.
3 Q **
4
5 **
6 A ** **
7 Q ** **
8 A **
9
10 **
11 Q **
12
13 **
14 A ** **
15 Q And you had indicated to me that you are in
16 negotiation; is that correct?
17 A ** **
18 Q **
19
20 **
21 A **
22

23 _____

24 _____ **

25 Q ** _____ **

00282

1 ** _____

2 _____ **

3 A ** _____

4 _____

5 _____

6 _____

7 _____ **

8 Q ** _____ **

9 A ** _____

10 _____ **

11 Q ** _____

12 _____ **

13 A ** _____

14 _____ **

15 Q Did MRT -- how did they quantify that? What kind

16 of records or books would they use in terms of determining --

17 A I think you'd have to ask MRT.

18 Q So you haven't seen it is my point?

19 A I don't know how they booked this cost.

20 Q I have some questions about Omega's -- additional

21 questions about Omega's relationship with the City of Cuba.

22 Are those the types of questions that you have refused to

23 answer?

24 A Yes.

25 Q And is the same true of the company's relationship

00283

1 with ** _____ **, that you are refusing to answer those

2 questions today?

3 A Yes.

4 Q Okay. This is an article from the Cuba Free Press

5 that will be Exhibit 13.

6 MS. SHEMWELL: I'm going to ask the Court Reporter

7 if she would be willing to reproduce that in the record

8 without me actually reading it into the record.

9 THE REPORTER: Yes.

10 MS. SHEMWELL: Thank you.

11 "Winter Natural Gas Rates 'Aren't Good.'"

12 The city approved two separate agreements regarding

13 natural gas at Monday's city council meeting.

14 Missouri Gas Company was approved for transportation of

15 gas at no cost increase to the city. An agreement between

16 the city and Missouri Gas Company was also approved for the

17 company to use the city's pipeline to deliver gas to

18 ** **

19 The city's contract for natural gas expires with Amron

20 on July 1. Gary Engelmeier, of the city's natural gas

21 department, presented the council with current information

22 and options for their consideration.

23 "I've called around to get prices and they aren't good.

24 We could float prices for the next few months and catch a

25 price going down and lock it in for the winter, so the

00284

1 customers can get a decent price," Engelmeier said.

2 "We did that last year and the year before and it paid
3 off," Alderman Brad Bouse said.
4 Engelmeier said Davie Ries, owner of Missouri Gas
5 Company and two pipelines, is willing to work with the city
6 by matching or beating any other price.
7 "After talking with the Attorney General's Oversight
8 Committee, the only problem is, by law he can raise the rate
9 and there's nothing anybody can do about it," Mayor John Koch
10 said.
11 The recommendation was approved to move forward with
12 Ries, waiting for the best prices before locking in. Ries
13 was approved because of his low transportation costs. He
14 will be going through the New York Maximum Exchange (NYMX) to
15 determine gas prices. Last year, prices were locked in in
16 September, but it will depend on the market when prices will
17 be locked in this year.
18
19 Q (By Ms. Shemwell) I'll give you a minute to read
20 that while I do the same.
21 Are you familiar with this?
22 A No, never seen this before.
23 Q I notice in what I would call the third paragraph
24 that they refer to Amron, A-m-r-o-n. Do you think that that
25 probably means Ameren or could we agree that it's likely to
00285
1 mean Ameren?
2 A I think we could speculate that that may be
3 Ameren.
4 Q Okay. Do you know Gary Engelmeier?
5 A I knew who he was.
6 MS. SHEMWELL: E-n-g-e-l-m-e-i-e-r.
7 Q (By Ms. Shemwell) Is he not still on the council;
8 is that the indication of your response?
9 A I don't believe he was ever on the council and he's
10 certainly not with the City of Cuba anymore.
11 Q Was he with the City of Cuba in their Natural Gas
12 Department at one point?
13 A I believe at one time he was their utilities
14 superintendent or something to that extent.
15 Q Did you have discussion with him --
16 MS. SHEMWELL: Off the record just a moment.
17 (Whereupon there was a discussion held off the record).
18 MS. SHEMWELL: Let's go back on the record.
19 Q (By Ms. Shemwell) We're looking at an article from
20 the Cuba Free Press.
21 A And the question was?
22 Q Did you have discussions with Mr. Engelmeier?
23 A Yes, I did.
24 Q Can you tell me generally what those discussions
25 were? Let me just ask more specifically. He indicated that

00286

1 **
2 _____
3 **
4 A ** _____ **
5 Q ** _____
6 **

NP

7 A ** _____

8 _____

9 **

10 Q ** _____ **

11 A ** _____

12 _____

13 _____

14 _____

15 _____

16 **

17 UNIDENTIFIED CALLER: Excuse me. We have a call at

18 1:30 on this number. Are you guys about to wrap up?

19 MS. SHEMWELL: As far as I knew we had this line

20 until 4:00 o'clock Friday.

21 UNIDENTIFIED CALLER: Excuse me.

22 MS. SHEMWELL: As far as I know we had this state

23 line until 4:00 o'clock on Friday.

24 Let's go off the record.

25 (Whereupon there was a discussion held off the record).

00287

1 MS. SHEMWELL: Let's go back on the record.

2 Q (By Ms. Shemwell) When he says that -- when

3 Mr. Engelhart (sic) is quoted as saying he had talked to the

4 Attorney General's Oversight Committee and that he can raise

5 the rate and there's nothing anybody can do about it, do you

6 know what he's talking about there?

7 A I think you're referring to a quote by the Mayor

8 John Koch.

9 Q ** _____ **

10 A ** _____

11 _____

12 _____

13 _____

14 _____

15 _____

16 **

17 Q ** _____

18 **

19 A ** _____

20 _____

21 **

22 Q ** _____

23 **

24 A ** _____

25 **

00288

1 **

2 _____

3 **

4 Q ** _____

5 _____

6 _____

7 _____

8 _____

9 **

10 A ** _____ **

11 Q ** _____ **

12 A ** _____
13 _____
14 _____
15 _____
16 _____
17 _____ **
18 MS. SHEMWELL: Hello. Who's on the line, please.
19 THE WITNESS: You may have found you don't have the
20 line past 1:30.
21 MS. SHEMWELL: Dave McCormick?
22 MR. MCCORMICK: Yeah, Dave McCormick is still here.
23 MS. SHEMWELL: Let's go off the record.
24 (Whereupon there was a discussion held off the record).
25 MS. SHEMWELL: We will continue.

00289

1 Q (By Ms. Shemwell) Tell me what this last sentence
2 means.

3 A ** _____
4 _____
5 _____
6 _____
7 _____
8 **

9 Q Uh-huh.

10 A It hasn't changed.

11 Q So when it talks about going through the NYMX to
12 determine gas prices, what does that mean?

13 A I do not have a clue. Particularly the New York
14 Maximum Exchange.

15 Q I'm assuming they're talking about NYMX, but that
16 would be an assumption?

17 A That would be an assumption.

18 MS. SHEMWELL: Let's go off the record for a
19 minute. We need to take five minutes to see where we are if
20 that's all right with you.

21 THE REPORTER: Mr. Kurtz, did you decide if you
22 wanted a rough ASCII on Monday or a final version on
23 Wednesday?

24 MR. KURTZ: I'll just go ahead and get the final
25 version on Wednesday.

00290

1 THE REPORTER: Full, mini or both.

2 MR. KURTZ: Mini will be fine.

3 THE REPORTER: Do you need an email?

4 MR. KURT: That would be great.

5 (Whereupon there was a brief recess).

6 MS. SHEMWELL: Okay. Let's go back on the record.

7 Q (By Ms. Shemwell) Mr. Ries, I'm going to hand you a
8 document that we call the Schallenberg-Matthews document. We
9 will mark this as Exhibit 14.

10 Are you familiar with this document?

11 A Yes.

12 Q Who created the document?

13 A This is a document that is generated out of the
14 daily gas balancing program that is a snapshot of what the
15 system looks like on a daily basis after all of the previous
16 day's volumes have been entered into it and is produced or

17 distributed by Patty to myself, Dave Wallen and Ryan Ries.
18 Q Anyone else?
19 A No. It is not supposed to be provided to anyone
20 outside the company. Patty feels very bad that this was
21 inadvertently distributed or erroneously distributed to
22 Laclede and I believe Laclede acknowledged that it was an
23 erroneous distribution and should not have been something
24 that they received nor was something that they should have
25 produced to the Commission.

00291
1 Q But you would agree if the Commission had asked for
2 this document or similar documents, that it would be
3 reasonable for them to produce it to the Commission?
4 A I think there's certainly a reason for it to be
5 produced. It certainly needs to be produced with a fair
6 abundance of caution as to what somebody might infer or use
7 it for or any assumption about whether or not it is
8 distributed to any of the shippers on the system which it is
9 not intended to be.

10 Q Can you read the date on that? I believe it reads
11 ** _____ **
12 A That's correct.
13 Q Imbalance as of ** _____ **?
14 A Right.
15 Q Would you still consider this to be a document of
16 some confidentiality?
17 A I would consider it highly confidential.
18 Q Do you have other similar documents for every day
19 of the month for the past several years?
20 A No.
21 Q Why not?
22 A Again, this is a snapshot of what the system looks
23 like. It is essentially obsolete by the time it gets
24 produced. It is only used for operational oversight and
25 there is no file where this is produced and retained as a

00292
1 copy of the records because of its short term life.
2 Q How is this used then?
3 A It's a matter of what does the system look like
4 today in terms of the balances on the system.
5 Q Why would this be of interest to other shippers?
6 A Because it shows the imbalances of all the
7 shippers.
8 Q As we look down through that where it says prior
9 month, what does that -- what do the numbers below the column
10 marked prior month indicate?
11 A It indicates imbalances from the prior month. May
12 not -- may or may not be all inclusive.
13 Q Is that why Laclede is showing ** _____ **?
14 A Laclede is showing ** _____ ** because Laclede is the one
15 customer on the system that has its own operational balancing
16 agreement, which is a separate document between Missouri
17 Pipeline and Laclede as customer. And if you look down
18 towards the lower portion of the page on the left side you
19 will see a separate set of entries that refer to OBA summary.
20 In that case the imbalances for Laclede are identified in
21 that provision.

22 Q So that's why Laclede is broken out?
23 MR. MCCORMICK: Excuse me.
24 MS. SHEMWELL: Dave, you want to mute your phone.
25 Thank you, Dave McCormick.

00293

1 Q (By Ms. Shemwell) **
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4 **
5 A **
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7 **
8 Q **
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10 A ** **
11 Q ** **
12 A ** **
13 Q **
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16 A ** **
17 Q ** **
18 A ** **
19 Q **
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21 A ** **
22 Q ** **
23 A **
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00294

1 Q ** **
2 A ** **
3 Q ** **
4 A ** **
5 Q ** **
6 A ** **
7 Q ** **
8 A ** **
9 Q **
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11 A ** **
12 Q ** **
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00295

1 Q ** _____

2 _____ **

3 A ** **

4 Q ** **

5 A ** _____

6 _____

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13 _____

14 _____

15 _____

16 _____

17 _____

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19 _____ **

20 Q ** _____ **

21 A ** **

22 Q ** _____

23 _____

24 _____

25 _____ **

00296

1 A ** **

2 Q ** **

3 A ** _____

4 _____

5 _____ **

6 MS. SHEMWELL: One word.

7 Q (By Ms. Shemwell) Did we refer to linepack earlier

8 in terms of storage?

9 A I didn't I don't think.

10 Q Is it a form of storage?

11 A I think I referred to -- when you talk about park

12 and loan agreements.

13 Q Yes.

14 A Interstate pipelines can do that, but I said

15 generally only in conjunction if they've got storage

16 facilities, which these pipelines do not have.

17 Q ** _____

18 _____ **

19 A ** _____

20 _____ **

21 Q ** _____

22 _____

23 _____ **

24 A ** **

25 Q ** _____ **

00297

1 A ** _____

2 _____

3 _____

4 _____

5 _____

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* *

8 Q Does your calculation with MRT -- does your
9 contract with MRT have a calculation for lost gas? Is it
10 included in a contract?

11 A Are you talking about the interconnect agreement,
12 the look back agreement?

13 Q I'm talking about what you would pay MRT for
14 transportation, does it have -- I'm asking how does this
15 percentage compare to MRT's or Panhandle's percentage of lost
16 gas is what I'm trying to get to? That you pay for their use
17 or lost gas?

18 A The pipelines do not hold capacity on MRT or
19 Panhandle.

20 Q Does Omega?

21 A Again, that's Omega's business. Both MRT and
22 Panhandle have published tariffs that are on the website.
23 MRT's published fuel lost and unaccounted for I think for
24 both zones is roughly one percent. I'm not up to speed, up
25 to date on that. Panhandle's fuel lost and unaccounted for

1 rate from their gathering Mid-Continent receipt points to the
2 delivery point to MPC is approximately three percent.

3 Q In comparison to yours which is .43 percent?

4 A That's true.

5 Q When you talk about theoretical linepack, why is
6 that -- where it says current inventory, why is that
7 theoretical as opposed to actual?

8 A Because there is no physical way, there is no
9 definitive way, to measure to know what linepack is.

10 Q Okay.

11 A I mean it changes all the time. It changes with
12 absolute pressure, it changes with temperature, it changes
13 with the amount of gas that's flowing on the system which
14 changes the hydraulic gradient on the pipeline. So,
15 therefore, it is a theoretical calculation.

16 Q Again, can that be used for storage?

17 A I guess I still don't understand. It is a -- I
18 mean we include it as a snapshot of inventory to identify how
19 much gas is owed or is owned or is in the possession of the
20 pipeline. Obviously if that number becomes negative, the
21 pipeline needs to get pretty serious about looking to buy
22 some gas to replenish its linepack. If it gets too, high the
23 pipeline needs to get rid of linepack.

24 Q Which pipeline are you referring to?

25 A Missouri Pipeline is the party that we use in this
00299

1 process for calculating all of the imbalance and fuel lost
2 and unaccounted for volumes.

3 Q Why not Omega?

4 A Omega's a shipper. Omega is -- I mean it nominates
5 gas just like any other shipper, it has gas delivered to it
6 just like any shipper, its balance is tracked just like any
7 other shipper.

8 Q So can MPC use that what I would call as inventory,
9 might that be used -- maybe you've said this -- as storage?
10 Is that gas out there available to them?

11 A There is always gas in the system. The amount of
12 gas is determined not by contractual relationships, but by
13 operational constraints and operational objectives and does
14 not provide storage to anybody.

15 Q Okay.

16 A Does not provide storage to any shipper affiliated
17 or unaffiliated.

18 MS. SHEMWELL: Okay. Woody, do you have some
19 questions? Would you like to go head. This will be David
20 Woodsmall.

21 MR. WOODSMALL: Yeah, I do. Can you push the phone
22 over closer to him so I can hear better.

23 MS. SHEMWELL: Sure.

24 THE WITNESS: How's that?

25 MR. WOODSMALL: That's better. I'm probably going
00300

1 to hit some things that have been hit before. I just need to
2 clarify.

3 CROSS EXAMINATION

4 BY MR. WOODSMALL:

5 Q You mentioned before there's three pipelines: MGC,
6 MPC and MIG and those are wholly owned subsidiaries of United
7 Pipeline Systems, LLC; is that correct?

8 A That's correct.

9 Q And United Pipeline Systems, who are they owned
10 by?

11 A It's a wholly owned subsidiary of Gateway Pipeline
12 Company.

13 Q And who owns Gateway Pipeline?

14 A A hundred percent of the equity in Gateway is owned
15 by MOGas Energy, LLC.

16 Q And who owns MOGas Energy, LLC?

17 A Currently it's owned by DND Energy, LLC.

18 Q ** _____
19 ** _____
20 A ** _____
21 _____
22 _____
23 **

24 Q Okay. And who owns DND Energy, LLC?

25 A Ultimately that is Dave and Dennis; Dave Ries,
00301

1 myself, and Dennis Langley.

2 Q Okay. And that's where you have was it ** _____
3 **?

4 A That's correct.

5 Q Now, on the Dennis Langley side I've noticed ** __ **;
6 are you familiar with that company ** __ **?

7 A I know they exist, yes.

8 Q Do you know how their ownership interest ultimately
9 and DND is structured?

10 A There is no interrelationship.

11 Q When I look at the ** __ ** website, they talk about
12 their interest in Gateway. Can you tell me how their
13 interest in Gateway ultimately is held?

14 A ** __ ** does not have an interest in Gateway.

15 Q So --

16 A Obviously there's some commonality of ownership
17 through Dennis Langley, an individual.
18 Q And you mentioned the contract that you have with
19 one of these companies with R2. At what company level is
20 your employment agreement with R2?
21 A You're talking about an employment agreement.
22 R-Two Development --
23 Q Consulting agreement, I'm sorry.
24 A -- is a company that I own and has a consulting
25 agreement with Missouri Pipeline Company and MOGas Company.
00302
1 That consulting fee and expenses are paid for by Missouri
2 Pipeline and allocated based on an allocation formula for
3 overhead costs to all three entities.
4 Q Do you have as an individual -- let me jump here.
5 Does R2 provide consulting services for any other entity?
6 A No.
7 Q Do you as an individual provide consulting services
8 for any other entity?
9 A Not currently.
10 Q Excuse me?
11 A Not currently.
12 Q Do you own a -- do you have any financial interest
13 in any other natural gas pipeline or natural gas marketing
14 company?
15 A No.
16 Q Do you know if Dennis Langley has a financial
17 interest in any other marketing company or pipeline
18 company?
19 A You know, there's a complete list of affiliated
20 companies that are included annually in the affiliation
21 report that's submitted to the Commission. Dennis Langley
22 owns numerous other companies and I would have to refer you
23 to those companies. I don't know that there is any of those
24 that do any business as it relates to these pipeline
25 companies.
00303
1 Q You anticipated my next question. Thank you.
2 Can you tell me whether the sale of Omega to
3 Tortoise imposed any obligations on you? I know you
4 mentioned there was a transition agreement. Do you have any
5 ongoing obligations in regards to that transaction?
6 A There were -- there was a thirty day transition
7 period that has been complied with. As far as I know there
8 is no ongoing obligation. Obviously as a former senior
9 corporate officer there is certainly an obligation as a
10 seller to make sure that I impart all of the available
11 business to the purchaser and to the extent that that hasn't
12 occurred or to the extent that they need some history or some
13 knowledge from me that I haven't imparted either through
14 documents or discussion, I would consider that a continuing
15 obligation.
16 Q Do you have any -- do you as an individual or as
17 the owner of R2 have any financial interest in Tortoise?
18 A No.
19 Q No ongoing cash flow there, portion of the
20 revenues, nothing like that?

23 Witness Letter sent to Paul DeFord/David J. Ries/July
24 26, 2006
25 LAM/ DAVID J. RIES, July 20 and 21, 2006
00306

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CERTIFICATE OF REPORTER

6

7 I, Linda A. Madel, a Certified Court Reporter and
8 Notary Public within and for the State of Missouri, do hereby
9 certify that the witness whose testimony appears in the
10 foregoing deposition was taken by me to the best of my
11 ability and thereafter reduced to typewriting under my
12 direction; that I am neither counsel for, related to, nor
13 employed by any of the parties to the action in which this
14 deposition was taken, and further that I am not a relative or
15 employee of any attorney or counsel employed by the parties
16 thereto, nor financially or otherwise interested in the
17 outcome of the action.

18

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Notary Public within and for
the State of Missouri

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00307

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My commission expires February 18, 2007.

2

Midwest Litigation Services

3

711 North Eleventh Street

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St. Louis, Missouri 63101

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Phone (314) 644-2191 * Fax (314) 644-1334

6

July 26, 2006

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8

Lathrop & Gage

2345 Grand Blvd.

9

Kansas City, MO 64108

10

Attn: Paul DeFord

11

In Re: Public Service Commission vs. Missouri Pipeline

12

Company.

13

Dear Mr. DeFord:

14

Please find enclosed your copy of the deposition of
DAVID J. RIES, taken on July 20 and 21, 2006, in the above
referenced case. Also enclosed is the original signature
page and errata sheets.

15

16

Please have the witness read your copy of the transcript,
indicate any changes and/or corrections desired on the errata
sheets, and sign the signature page before a notary public.

17

18

Please return the errata sheets and notarized signature page
to Ms. Shemwell's office for filing prior to trial date.

19 Thank you for your attention to this matter.
Sincerely yours,

20

21 Linda A. Madel
22 Certified Court Reporter
23 Notary Public
24 CC: Paul DeFord

25

00308

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WITNESS ERRATA SHEET

2

WITNESS NAME: DAVID J. RIES

3

CASE NAME: Public Service Commission vs. Missouri
Pipeline Company, et al.

4

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6

DATE TAKEN: July 20 and 21, 2006

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Page # _____ Line # _____

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Reason for change: _____

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Page # _____ Line # _____

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Reason for change: _____

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WITNESS SIGNATURE: _____

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Schallenberg Public

Schedule 6

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BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

PUBLIC SERVICE COMMISSION vs.
MISSOURI PIPELINE COMPANY, ET AL.

Case No. GC-2006-0491

DEPOSITION OF DAVID RIES
TAKEN ON BEHALF OF THE COMPLAINANT JULY 20, 2002
VOLUME 1

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I N D E X

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BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

PUBLIC SERVICE COMMISSION)	
COMPLAINANT,)	
VERSUS)	CASE NUMBER GC-2006-0491
MISSOURI PIPELINE COMPANY)	
ET AL.,)	
RESPONDENT.)	

NP

DEPOSITION OF DAVID J. RIES, Volume 1, taken on behalf
of the complainant on July 20, 2006, at the offices of
the Public Service Commission, 9900 Page Avenue, in the
County of St. Louis, State of Missouri, before Linda A.
Madel, a Certified Court Reporter and Notary Public.

00004

A P P E A R A N C E S

For the Complainant

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Jefferson City, MO 65102
(573) 751-7431

For the Respondent

Paul DeFord
LATHROP & GAGE
2345 Grand Blvd.
Kansas City, MO 64108
(816) 292-2000

For AmerenUE (via phone)

David Kurtz
111 S. Ninth Street
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Columbia, MO 65205
(573) 443-3141

For Municipal Gas Commission of Missouri (via phone)

David Woodsmall
FINNEGAN, CONRAD & PETERSON
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Suite 300
Jefferson City, MO 65101
(573) 635-2700

Also Present:

Janis Fischer
Steve Reed
Rick Zucker
David McCormick
David Summerer

00005

Reported by:

Linda A. Madel, CCR
MIDWEST LITIGATION SERVICES
711 North Eleventh Street
St. Louis, MO 63101

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1 MS. SHEMWELL: Let's go on the record.
2 Good morning. I'm Lera Shemwell. We are here
3 taking the deposition of Mr. David Ries in case number
4 GC-2006-0378. This is July 20th, 2006.
5 I'd ask the court reporter to swear Mr. Ries in,
6 please.

7 DAVID J. RIES,
8 of lawful age, being produced, sworn and examined on behalf
9 of the Complainant, Public Service Commission, deposeth and
10 saith:

11 DIRECT EXAMINATION
12 BY MS. SHEMWELL:

13 Q Mr. Ries, would you state your full name, please.
14 A It's David J. Ries.
15 Q Spell your last name for the reporter.
16 A It's R-i-e-s.

17 MS. SHEMWELL: I will note for the record that we
18 will be discussing highly confidential information. We also
19 refer to it as HC. We will treat the whole deposition as
20 highly confidential until the company has had time to read
21 the document and determine what may be considered to be
22 public.

23 I'm going to ask that we try not to talk over each
24 other for the court reporter. And if you need a break, just
25 say something and we'll go off the record, but the court
00007

1 reporter won't go off the record unless I tell her to do so.
2 How are you employed, Mr. Ries?

3 A I own my own consulting company, which is known as
4 R2 Development, Inc., and I provide consulting services.

5 STEVE: Excuse me. Have you initiated a call
6 yet?

7 MS. SHEMWELL: No, Sharon has to. Sharon has to
8 open -- sorry. We need to go off the record.

9 (Whereupon there was a discussion held off the record).

10 MS. SHEMWELL: On the phone we have David Kurtz,
11 David Woodsmall, Rick Zucker. Is that it?

12 MR. MCCORMICK: Dave McCormick.

13 MS. SHEMWELL: Oh, Dave McCormick, of course. Dave

14 Summerer, are you on?
15 Okay. We will go ahead and get started. I had
16 asked Mr. Ries to spell his last name and asked how he was
17 employed.
18 MR. WOODSMALL: Can you tell us who is there in
19 St. Louis?
20 MS. SHEMWELL: Sure. We have the court reporter,
21 Mr. David Ries, Paul DeFord, Lera Shemwell, Janis Fischer and
22 Steve Reed, R-e-e-d, who is one of our lawyers in GCO.
23 MR. WOODSMALL: Thank you.
24 THE REPORTER: Before you go back on the record can
25 I --

00008

1 MS. SHEMWELL: Yes.
2 (Whereupon there was a discussion held off the record).
3 MS. SHEMWELL: At the end of the day I will ask if
4 you all have any questions and please remind me or let me
5 know if there's a particular line of questions. You would
6 prefer them from them all at once though, Paul, or do you
7 care?
8 MR. DEFORD: It doesn't matter.
9 MS. SHEMWELL: If you have a question after a line
10 of questioning, please speak up and we'll fit you in.
11 Mr. Ries had indicated that he had a consulting
12 company called R2 Development.
13 Q (By Ms. Shemwell) Is that correct, Mr. Ries?
14 A That's correct.
15 Q Who does R2 employ?
16 A Myself.
17 Q What's the address of that business?
18 A 6137 Colorow Drive in Morrison, Colorado.
19 Q And that's C-o --
20 PHONE PARTICIPANT: Lera, can you move the mike
21 closer to Mr. Ries. We can barely hear him.
22 Q (By Ms. Shemwell) That's C-o-l-o-r-o-w?
23 A Right.
24 Q For whom do you consult?
25 A I provide consulting services and my primary client

00009

1 or my client at the moment is Missouri Pipeline Company.
2 Q Would that include MGC?
3 A The agreement is with MPC and MGC and --
4 PHONE PARTICIPANT: Lera, I hate to interrupt, but
5 we just can't hear him at all.
6 THE WITNESS: We could pick up the handset, but
7 that's about the only way it's going to get any louder.
8 MS. SHEMWELL: How's that?
9 A **
10 _____
11 **
12 _____
13 Q (By Ms. Shemwell) All three?
14 A Missouri Pipeline, Missouri Gas Company, Missouri
15 Interstate Gas.
16 Q It's allocated in what way?
17 A **
18 _____
19 **
20 Q Is that a FERC recognized allocation; is **
21 _____
22 A I believe it is.
23 MS. SHEMWELL: Whoever is not on mute needs to mute
24 their button on the other end, please.
25 Q (By Ms. Shemwell) How long is MIG?

NP

25 A Approximately seven miles.
00010
1 Q Do you know MPC, the length of that pipe?
2 A It's approximately a hundred and fifty.
3 Q And MGC?
4 A Approximately a hundred.
5 MS. SHEMWELL: Hello?
6 PHONE PARTICIPANT: I'm sorry, Lera. I lost you.
7 I'm sorry.
8 MS. SHEMWELL: Can you mute on that end so that you
9 can listen to us. Okay, thanks.
10 Q (By Ms. Shemwell) When Omega was part of the
11 entities with which you were involved, did Omega receive any
12 of the consulting fees from R2 Development?
13 A No, they did not.
14 Q Did you do any work for Omega?
15 A ** _____ **
16 Q And what was your title?
17 A President.
18 Q Did you receive a salary from Omega?
19 A Yes, I did.
20 Q And what was that? What was that salary?
21 A ** _____ **
22 Q What was the type of work you did for Omega?
23 A I was the president of the company.
24 Q But what type of work would you do as the
25 president?
00011
1 A Well, it was overall management of the company.
2 Q Okay. Have you ever been deposed?
3 A Yes, I have.
4 Q And in what issues?
5 A Excuse me?
6 Q In what matters?
7 A In litigation.
8 Q Mr. Ries, if you don't understand any of my
9 questions, please ask me to clarify. Okay?
10 A Okay.
11 Q So who were the parties involved in your prior
12 depositions?
13 A I don't know how far back you want me to start.
14 Q Well, let's go the last ten years say.
15 A Well, the most recent case involved a dispute that
16 Omega had post closing with Aquila.
17 MS. SHEMWELL: Hello?
18 MS. SYLER: This is Shelly Syler.
19 MS. SHEMWELL: Hi, Shelly.
20 MS. SYLER: Did everyone get on the line as needed?
21 MS. SHEMWELL: Yes, thank you.
22 MS. SYLER: Yes?
23 MS. SHEMWELL: Yes, thank you.
24 MS. SYLER: Thanks.
25 Q (By Ms. Shemwell) Aquila versus who?
00012
1 A Omega.
2 Q And what was the issue or issues?
3 A It involved a claim by Aquila after the transaction
4 was completed on additional compensation that Aquila thought
5 they were owed.
6 Q Has that case been resolved?
7 A Yes.
8 Q Other depositions?
9 A ** _____

10

11

12 Q And what was the issue?

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17 Q Has that been resolved?

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12 Q And what was the issue?

13 A **

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16 **

17 Q Has that been resolved?

18 A As far as I know it is resolved.

19 Q Did you bring any documents with you today?

20 A No, I did not.

21 Q I'm sorry. Have you completed the list of

22 depositions that you've been involved in in the last ten

23 years?

24 A That's all I recall at the moment in terms of the

25 things that I've been involved with in the last ten years.

00013

1 Q If I give you a moment, might you think of

2 something else?

3 A I don't know. You could give me a couple of days

4 and I wouldn't know.

5 Q Would you describe your experience in the natural

6 gas industry?

7 A I started in the industry in 1974 as an employee as

8 an engineer for Northern Natural Gas company. I was employed

9 by Northern Natural or their affiliates or parents until 1988

10 in capacities involving operations, engineering, project

11 management, technical support and eventually managerial

12 responsibilities and became their chief engineer for what at

13 that time was Enron's Mid-Continent pipelines which were

14 all the pipelines they owned in the western half of the U.S.

15 In 1988 I left Enron and joined KN Energy of

16 Lakewood, Colorado, as their chief engineer over a matter of

17 eleven or twelve years. I left them the end of 1999. Was

18 involved with project development, acquisitions and at the

19 time of my departure I was their senior vice-president of

20 corporate development.

21 Q What does that mean senior VP of corporate

22 development?

23 A I was involved with strategy development,

24 acquisition and or divestitures at the corporate level and

25 involved in acquisitions for subsidiaries as well.

00014

1 Q Are both of those interstate pipelines? I'm sorry.

2 Is KN an interstate pipeline?

3 A KN Energy as an organizational form is not an

4 interstate pipeline. They did have a subsidiary or actually

5 several subsidiaries that were interstate pipelines.

6 Q And what are the names of those interstate

7 pipelines?

8 A Well, the largest and most recognizable is Natural

9 Gas Pipeline Company of America, NGPL and KN Interstate Gas

10 Transmission. There's also a KN Wattenberg, which is

11 interstate pipeline. There were HIOS, which is High Island

12 Offshore System, is an interstate pipeline. There was

13 a company with the acronym UTOS is an interstate pipeline and

14 I forget what that stands for at the moment. There was a --

15 I don't know. There's a few more. I mean those are the most

16 recognizable.

17 Q How does Kinder Morgan come into play with KN?

18 A In 1999 KN and Kinder Morgan merged with Kinder

19 Morgan being the surviving entity.

20 Q Did you work for Kinder Morgan?

NP

21 A Not after the merger was complete.
22 Q Did you negotiate contracts on behalf of KN when
23 you worked there?
24 A Yes, I did.
25 Q What type of contracts?

00015

1 A All types of contracts. Acquisition agreements,
2 purchase and sale documents, transactional agreements,
3 gathering services, transportation services.
4 Q Would you describe transactional agreements a
5 little more for me, please?
6 A Well, what I mean by them is that the acquisition
7 or the transaction between two companies to exchange a stock
8 or assets or other goods or services.
9 Q Would that be purchase of pipeline or purchase of
10 other types of equipment or sales?
11 A Yes.
12 Q All of those?
13 A Could be all of those.
14 Q Are there any other types of transactions you would
15 describe under transactional contracts?
16 A Well, over the years of my career I mean I did a
17 lot of things relative to the purchase or sale of goods or
18 services. And they could be involved with -- I mean
19 obviously as an engineer and project manager I was involved
20 with numerous transactions involving the purchase of
21 materials used in the pipeline business; pipe compressors,
22 equipment, electronics, et cetera.
23 Q What was the biggest transaction you did?
24 A In terms of?
25 Q The transactional; buying and selling pipe or --

00016

1 A Well, I was involved with all of the merger
2 activity that KN was involved with in the twelve years or so
3 that I was with them. The largest would have been KN's
4 acquisition of NGPL and its related companies, which was a
5 little over three billion dollars.
6 Q Did you yourself sign contracts on behalf of KN
7 Energy?
8 A Yes, I did.
9 Q Any other entities among that group for whom you
10 would have signed contracts?
11 A Well, there was a period of time there, and I don't
12 recall the exact timing, but at one point or another I was an
13 officer of a various number of subsidiaries of KN Energy.
14 Q When you say officer, what type of officer?
15 A Vice-president.
16 Q So you would sign as vice-president for these
17 entities?
18 A I could, yes.
19 Q You could?
20 A Yes. Again, depending on what my role and
21 responsibilities were at that particular time would have
22 determined whether, you know, what type of contract that
23 would have been.
24 Q The entities that you have mentioned were they all
25 considered affiliates under the KN umbrella?

00017

1 A Well, I think they would have been considered
2 subsidiaries and certainly in cases they were affiliates.
3 Q So on behalf of those affiliates you were also a
4 vice-president?
5 A Of several of the subsidiaries all at the same

6 time.

7 Q Do you remember the names of those?

8 A Well, I'm not sure I remember the names of all of
9 them obviously. At the time I left there were several
10 companies there. The previously mentioned interstate
11 pipelines. I was also an officer of the intrastate
12 pipelines, which at the time was Rocky Mountain Natural Gas
13 Company and Northern Gas Company of Wyoming.

14 Q So you might be negotiating contracts on behalf of
15 any of those entities?

16 A That's correct.

17 Q Did you negotiate contracts between those
18 entities?

19 A I don't recall that I ever did that.

20 Q For those entities might you have been involved in
21 the negotiation of any of the types of contracts that you
22 mentioned above; acquisitions, purchase gathering,
23 transactional?

24 A I'm not sure I understand the question.

25 MS. SHEMWELL: Could the court reporter read that
00018

1 back, please.

2 (Whereupon the Reporter read back the last question).

3 A Well, keep in mind that each one of those entities
4 have a specific business function and I may not have been
5 involved with that specific business function at the specific
6 times. You know, my role in the bulk of those companies was
7 in the form of a corporate development or business
8 development standpoint which involved primarily acquisitions
9 or divestitures.

10 Q (By Ms. Shemwell) When you say corporate
11 development, could you describe that a little more for me,
12 please.

13 A Well, I thought I already had. Can you read back
14 what I said before?

15 Q Let me just ask you are you talking about growing
16 the business? What falls into that umbrella?

17 A An acquisition of assets is paramount to growing
18 the business particularly if you're acquiring business with
19 the acquisition.

20 Q And divestitures?

21 A Can be the same thing. If you're selling assets or
22 selling an entire company with business, you're either buying
23 or selling business.

24 Q Did you buy any or acquire any businesses that were
25 not U.S. companies?

00019

1 A I don't recall that I was ever involved with
2 anything outside the U.S.

3 Q Is VP the highest position you have held with an
4 interstate pipeline? Let me rephrase. Have you been a CEO
5 of a pipeline?

6 A No.

7 Q COO, anything at that level?

8 A No. As a matter of clarification, I would consider
9 my role with Missouri Interstate Gas currently as president
10 and it's the functional equivalent of CEO.

11 Q Would the same be true for MPC and MGC?

12 A That's true.

13 Q What about Omega before it was sold?

14 A That was true for them also.

15 Q Do you have any interest in -- financial interest
16 in Omega now?

17 A No, I do not.
18 Q Do you have any financial interest in the purchaser
19 of Omega?
20 A No.
21 Q Have you ever been on the board of directors of an
22 interstate pipeline?
23 A Well, I guess I'm not sure what you mean by board
24 of directors.
25 Q It would be a group for whom board minutes would be

00020

1 taken of their meetings and recorded.
2 A I'm going to ask for clarification. Is it
3 necessary that all companies have boards?
4 Q I don't know.
5 A I do not know that I have ever served on an
6 official board of directors.
7 Q What is your intrastate pipeline -- and I'm going
8 to use the term intrastate as meaning that it doesn't cross
9 state lines or is not FERC regulated; is that --
10 A Well, the definition to me generally means
11 regulated by a state commission.
12 Q What experience do you have with an intrastate
13 pipeline?
14 A Are you talking previous to Gateway?
15 Q Yes.
16 A I think I mentioned earlier that I was also an
17 officer of two and possibly more intrastate pipelines, Rocky
18 Mountain Natural Gas, which is an intrastate pipeline in
19 Colorado, Northern Gas, which is an intrastate pipeline in
20 Wyoming. Actually, I think I was also an officer of what was
21 known as Midcon Texas, which is an intrastate pipeline in
22 Texas.
23 Q Who were you working for when you were VP for
24 those?
25 A KN Energy.

00021

1 Q Any other experience with intrastate pipelines?
2 A I don't recall any others.
3 Q When you say -- I can't remember the term you used.
4 Were you vice-president of those?
5 A I believe so.
6 Q And what would your -- what would your activities
7 have involved as vice-president for those companies?
8 A Again, during my tenure with KN Energy I was
9 involved with earlier on business development and later in
10 the process corporate development. Could have involved a
11 number of activities related to development of business,
12 proposing projects, major capital of expenditures,
13 acquisitions of assets or companies or divestitures of assets
14 or companies for any of those entities during that period of
15 time.
16 Q What about nomination of gas; has that been
17 something that you've been involved in?
18 A No.
19 Q Do you work for any interstate pipelines today?
20 A Only as I stated previously through my consulting
21 agreement with Missouri Pipeline. I also manage Missouri
22 Interstate Gas and serve as their president.
23 Q Do you have financial responsibility for them?
24 A Yes.
25 Q What are those?

00022

1 A Well, it's to manage the overall business, which is

2 pursue the development of revenue, control of expenses, and
3 monitor the overall financial performance of the companies.

4 Q What operational role do you play?

5 A I manage the day to day operation of those
6 companies.

7 Q What does that mean?

8 A Provide supervision to the frontline supervision,
9 which includes operations manager and financial manager.

10 Q Who's the ops manager?

11 A David Wallen, W-a-l-l-e-n.

12 Q And the financial side on --

13 A Is Mike Mertz, M-e-r-t-z.

14 Q Intrastate pipelines, what is your relationship
15 currently to intrastate pipelines?

16 A As I stated previously, through my consulting
17 company I act as the president of Missouri Pipeline Company
18 and Missouri Gas Company.

19 Q What are your roles?

20 A Overall operations of those companies including
21 development of new business, control of expenses, monitoring
22 financial performance.

23 Q Operational, under that who works for you?

24 A David Wallen.

25 Q Anyone else?

00023

1 A Mike Mertz.

2 Q Anyone else?

3 A I have staff support groups that also report to me,
4 I have an engineer, I have a VP of human resources.

5 Q Who's your engineer?

6 A Ryan Ries.

7 Q R-i-e-s, correct?

8 A Yes.

9 Q Is he your son?

10 A Yes, he is.

11 Q Where is he located?

12 A In Colorado.

13 Q At the address that we discussed earlier, Colorow
14 Drive?

15 A No, he has his own office.

16 Q Where is that?

17 A I don't recall the address. I know it's in
18 Highlands Ranch, Colorado.

19 Q Your VP -- did you say VP of personnel?

20 A Human Resources.

21 Q Human Resources. Yvette Korb?

22 A Is Yvette Korb.

23 Q K-o-r-b. Where is she?

24 A She's located in Shawnee, Kansas.

25 Q At the Martindale address?

00024

1 A That's correct.

2 Q What services do you provide for MPC and MGC and
3 MIG other than what you've described?

4 A I'm not sure what you mean by services.

5 Q As consultant what do you do for them other than --
6 in addition to what you've described?

7 A Well, a broad functional category I would say I
8 provide marketing and business development for all three of
9 those companies.

10 Q To whom do you answer?

11 A I answer to ultimately the stockholders of the
12 parent company.

13 Q And who is that or who are they?
14 A The stockholders?
15 Q Yes.
16 A Are myself and Dennis Langley, L-a-n-g-l-e-y.
17 Q What is Mr. Langley's role in managing or operating
18 these businesses?
19 A He has none.
20 Q Does that mean that he is an investor only?
21 A He is an investor only.
22 Q And how do you break out the proportion of
23 ownership between the two of you?
24 A Through an agreement on -- it's through an
25 agreement of membership ownership of the interest in MOGas
00025 Energy.
1 Q Would you describe that as a contract?
2 A I would describe that as a contract.
3 Q What's the proportion of ownership interest?
4 A **
5
6 **
7 Q Has that changed since these companies were
8 formed?
9 A Frankly I don't know. I think that's what the
10 ownership interest is. **
11
12 **
13 Q Then I guess there is no one else, right? That
14 adds up to a hundred percent?
15 A (Witness nodded).
16 Q Let me ask you just quickly is Ryan's office in his
17 home or does he have separate office space?
18 A It's in his home.
19 Q Is he paid rent for that?
20 A No.
21 Q But Yvette Korb, that's an office space, right?
22 A That is an office space.
23 Q I'd like to go back to when you worked for KN. Why
24 did you leave KN?
25 A Because of the merger between Kinder Morgan and KN
00026 Energy. There were two individuals with essentially the same
1 job in charge of corporate development. The individual that
2 was with Kinder Morgan was an individual that had the similar
3 responsibilities I did; was a guy named Mike Morgan who is
4 Bill Morgan's son, who is the Morgan in Kinder Morgan. So he
5 was more qualified.
6 Q You work out of Colorado, right?
7 A Yes, I do.
8 Q Lakewood, Colorado, when you worked for KN?
9 A (Witness nodded).
10 Q And who did you work for? Let's say when you left
11 who did you work for?
12 A I'm not sure I understand the question.
13 Q When you left KN, who was your supervisor; who was
14 your boss?
15 A The last person I reported to had at KN was an
16 individual named Rick Wells.
17 Q Were you always located in Lakewood when you worked
18 for KN?
19 A Yes, that's true.
20 Q And was that their corporate office?
21 A Yes, it was.
22 Q Did you supervise anyone?
23

NP

24 A Oh, yes.

25 Q How many?

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1 A During the last couple of years prior to the merger
2 with Kinder Morgan I actually had employees in three offices.
3 Lakewood, Colorado; Chicago, Illinois and Houston, Texas. I
4 had supervisory employees in the Chicago and Houston office.
5 Of the total group there was about fifty people.

6 Q Can you say generally what their roles were?

7 A Generally their role was at that point in time
8 business development both in the form of looking for, seeking
9 or working on the development of what I'd call organic or
10 grass root business development or acquisitions or
11 opportunities to do joint ventures, anything that would
12 involve the potential for the development of new business or
13 acquire business.

14 Q Let me ask I guess would it be, for example, trying
15 to serve new cities with natural gas, new municipalities?

16 A It could.

17 Q Industrial customers?

18 A It could.

19 Q What else; how do you develop that business?

20 A Well, it's a matter of identifying the opportunity.
21 And sometimes the opportunity calls you, sometimes you call
22 the opportunity and try to develop business. We would look
23 for opportunities to compete with other companies, with
24 transportation business and provide gas service to customers
25 of other companies. Other companies would call us, both

00028

1 industrial and LDC business and looking for business or
2 looking for proposals from KN to provide more competitive
3 services to their existing suppliers.

4 Q Of natural gas?

5 A Of natural gas. Sometimes -- again, it depends on
6 what the business was and what form it took.

7 Q So you might compete with propane?

8 A I believe we very readily competed with propane,
9 yes.

10 Q So just for an example, let's say I'm putting up a
11 widget manufacturing. You would see that and you might
12 contact me?

13 A Or you as the widget manufacturer looking to do
14 that at the most competitive price may call me and all
15 companies in the general area to see whether or not or what
16 kind of energy proposal you could get that would provide the
17 most competitive economic advantage that you could get.

18 Q And at the time what was most competitive?

19 A Well, typically depending on the cost of
20 transportation, the term of agreement and the type of
21 agreements that are being provided and the commodity prices
22 of that particular day, natural gas is generally a very
23 competitive source of energy.

24 Q So on this widget manufacturer, I call you up and I
25 say, okay, KN I want you to provide my business. What would

00029

1 you do then?

2 A Well, there are a number of things that in some
3 cases need to occur and some cases would be provided. If
4 you're looking for purely an interstate pipeline
5 transportation service, the first thing you typically do is
6 make out a request for service. If you're looking for the
7 construction of facilities in association with that service,
8 it then becomes a matter of a gathering information on the

9 load, the amount of gas that's expected to be required, the
10 peak day requirements of that facility, term of the contract
11 that the customer is willing the enter into, a number of
12 things that would eventually become part of an overall
13 proposal to provide that service.

14 Q If I could review then. You would provide
15 construction if they needed it of I guess pipeline to the
16 plant; would that be correct?

17 A Well, I would -- it's in broader fashion than that.
18 What is generally the process is to provide the service that
19 the customer is looking for and in some cases the customer
20 may have a certain amount of knowledge about the construction
21 of facilities and may feel that they could do a more cost
22 effective construction than the pipeline can. Or they may
23 not like the proposal that the pipeline proposes or, you
24 know, the pipeline -- you know, it depends a whole lot on the
25 things like what's the size of the project and what's the

00030

1 expected revenue that can be generated off of that particular
2 project.

3 Q Thank you for that, but what I'm trying to get to
4 is sort of a list of the types of items that you could have
5 provided. And so it sounds like you would do the
6 construction, correct? You could do the construction?

7 A May, may.

8 Q You could provide transportation services?

9 A That's correct.

10 Q Would that be entering into a contract on their
11 behalf or just assisting them throughout that you would take
12 the contract and you would provide?

13 A Well, again, it's a matter of interstate pipeline
14 does not provide commodity services post 636.

15 Q All right.

16 A So at that point in time it's a matter of, you
17 know, the interstate pipeline would not provide a bundled
18 commodity service to that widget manufacturer.

19 Q So KN did not have an affiliate or any other wing
20 that would provide both the commodity as well as the
21 transportation?

22 A KN certainly had an affiliate that provided
23 commodity services.

24 Q So you could provide under the umbrella of KN,
25 those total services?

00031

1 A When you say you, are you talking about me?

2 Q KN.

3 A KN certainly had the ability to provide through its
4 various companies the full service.

5 Q Through our activities at the FERC we were aware
6 that KN was investigated by the FERC staff. Do you remember
7 that investigation?

8 A Uh-huh.

9 Q Were you involved in that investigation?

10 A No, I was not.

11 Q Did you give any depositions?

12 A No, I did not.

13 Q Provide testimony?

14 A No, I did not.

15 Q I'm going to ask that this be marked as Exhibit 1
16 for today.

17 I'm handing you now a FERC order. Were you
18 familiar with this order, sir?

19 A I have not seen this order.

20 Q So your answer is no?
21 A My answer is no.
22 Q When you say you hadn't seen it, does that mean
23 that you're not aware of it at all?
24 A I believe I already said that I was aware that
25 there was an investigation.

00032

1 Q Yes. And were you aware then that an order
2 resulted from that investigation?
3 A I don't recall this order.
4 Q When you worked at KN, did you work with any of the
5 people who were investigated in this investigation?
6 A Can you tell me who was investigated?
7 Q KN Wattenberg Transmission, for example. KN
8 Interstate Gas Company, Kinder Morgan, K and WestTex, which I
9 believe you had indicated was one of your companies that you
10 were a vice-president of if I recall?
11 A I don't recall being a KN -- or officer of KN
12 WestTex, but I could very well have been.
13 Q Are you aware of FERC's standard of conduct related
14 to interplay between a pipeline and its affiliates?
15 A Generally, yes.
16 Q Were you aware that any of these violations were
17 occurring? Will you agree with me the violations occurred?
18 A I don't know what the violations were from what I'm
19 looking at.
20 Q Were you aware of whether or not records were
21 maintained concerning activities between the pipeline and its
22 affiliates?
23 A Excuse me. What was the question?
24 Q Were records kept?
25 A I don't know.

00033

1 Q Do you know if KN was meeting the FERC standards of
2 conduct?
3 A As far as I know we were.
4 Q Are you now aware of any activities in which you
5 were involved that would have violated the standards of
6 conduct?
7 A Not that I'm aware of.
8 Q Did you discuss this order with anyone at KN or
9 Kinder Morgan?
10 A No, I did not.
11 Q Anyone else that you might have discussed this
12 order with?
13 A Not that I recall.
14 Q And that was Exhibit 1, correct? Is that your
15 understanding?
16 MS. SHEMWELL: Paul?
17 MR. DEFORD: I think that's what you said, yes.
18 Q (By Ms. Shemwell) Would you look at Page 5, please.
19 A Okay.
20 Q It shows the page sort of in the middle in
21 brackets, 62,009; are you there? On Page 5 kind of in the
22 middle of the page.
23 A Yes.
24 Q Under Number 3 I'm going to read that into the
25 record. During an onsite audit by the Commission's Office of

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1 Chief Accountant (now the Office of Finance, Accounting and
2 Operations), staff observed that, on January 28, 1998,
3 certain KNI personnel were located in an secured area in the
4 Lakewood, Colorado, office in which marketing affiliate

5 employees were also located.

6 Were you aware of that situation?

7 A No.

8 Q Were marketing employees in a secured area?

9 A It was my understanding at the time I was there
10 that marketing personnel were actually in a separate
11 building.

12 Q So when you were there you didn't observe those
13 marketing employees interacting with other of the pipeline
14 employees?

15 A No.

16 Q Under Paragraph 5, which I think it starts off the
17 period of March 1, '96, through February 23rd, '98, you were
18 employed in the Lakewood, Colorado, office; is that
19 correct?

20 A That's correct.

21 Q And were you aware of employees of KNE holding
22 operational meetings to discuss all operations of the company
23 that were also attended by marketing affiliate personnel?

24 A I don't have any knowledge that that occurred.

25 Q Would you have attended these meetings?

00035

1 A I don't know what meetings they're talking about.

2 Q If you'll see there it says that employees of KNE
3 held operational meetings to discuss the operations of all
4 parts of the company?

5 A But I don't know what that means.

6 Q Did you hold operational meetings with your
7 employees in Lakewood?

8 A Well, there were -- I mean as in any corporation
9 there were all kinds of meetings occurring.

10 Q What about meetings to discuss operations of all
11 parts of the company?

12 A Again, I don't know what that means.

13 Q What kinds of meetings as vice-president would you
14 have held specifically?

15 A Would I have held?

16 Q Yes.

17 A Most of the meetings that I was involved with were
18 very project specific and involved meetings involving
19 specific companies within the KN organization, not a broad
20 array of people.

21 Q Would you have held meetings that did involve a
22 broad array of people?

23 A Not unless they were general -- I mean I certainly
24 didn't hold or host or organize broad scaled meetings. I was
25 involved with a very specific function and involving specific

00036

1 projects for the most part.

2 Q And would you meet with marketing personnel in the
3 meetings involving the specific projects?

4 A I have very little involvement with -- and I
5 presume what you're talking about here is the marketing
6 affiliated entities?

7 Q Correct.

8 A Or the market affiliates?

9 Q Yes.

10 A Only to the extent wherein a marketing entity had
11 an interest in acquiring capacity on a specific project that
12 was being developed within the corporate development group.

13 Q Did you discuss information that you would then
14 disclose to nonaffiliated shippers as well?

15 A I mean to the extent that a marketing entity within

16 the company expressed an interest in acquiring capacity I
17 certainly would not discuss that affiliate's interest in a
18 project. That would be in my view point just as bad a
19 violation as discussing any other interested party's interest
20 in a given project.

21 Q Would the marketing affiliate receive a better
22 price?

23 A I think there is a regulation against that.

24 Q Is your answer no?

25 A I think all customers were provided -- all

00037

1 similarly situated customers were provided the same pricing
2 opportunities.

3 Q Would the marketing affiliate have been any
4 differently situated generally than other outside entities?

5 A Well, the specific question here is that it's not
6 just a matter of price. Similarly situated can involve a
7 large number of factors other than just price. Term of
8 agreement, volume; you know, all kinds of things that are
9 related to contracting for capacity on interstate
10 pipelines.

11 Q Would each of the potential shippers then have been
12 differently situated?

13 A Maybe, maybe not. Certainly if a marketing
14 affiliate requested a proposal to serve a customer that some
15 other affiliate or non-affiliated marketing company was
16 requesting a proposal on, both of those entities would get
17 the same types of proposals and I would expect that to be the
18 same price.

19 Q Was that process contained in any written rules
20 within the company?

21 A Well, I generally think we were trying to follow
22 the written rules that are prescribed by FERC.

23 Q In FERC standards of conduct?

24 A Yes. Obviously recognizing that there's been
25 considerable clarification and rule making on standards of

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1 conduct since this period of time.

2 Q Yes. We will refer just to the standard of conduct
3 at that time when we're in this discussion.

4 Were any of your employees shared with any
5 marketing affiliate?

6 A No.

7 Q Any space shared with the marketing affiliate,
8 office space?

9 A Not that I was aware of. There were certainly
10 situations wherein for a period of time in the Houston office
11 we had floor space on the same floor as an intrastate
12 pipeline and that intrastate pipeline was also allowed to do
13 commodity transactions, but the marketing affiliate was on a
14 separate floor.

15 Q Would you turn over to Page 6, please, and under
16 Section E, which is shown in italics posting and offering
17 discount. I would like to ask you your knowledge about the
18 standard of conduct that requires if an interstate natural
19 gas pipeline offers a transportation discount to an
20 affiliated marketer, it offers a transportation discount --
21 let's see, must make a similar comparable discount
22 contemporaneously available to all similarly situated
23 non-affiliated shippers and post it on the electronic
24 bulletin board.

25 A Okay.

00039

1 Q Were you aware of that standard of conduct?

2 A Generally, yes.

3 Q And did you comply with that standard of conduct?

4 A Again, I was not involved with -- in my role with
5 providing that type of posting. It was -- that's part of the
6 operating entity's responsibilities to post their
7 discounts.

8 Q Were you in a position to offer the discount in the
9 first place?

10 A Well, I would think I was certainly in a position
11 to propose that discounts be offered. In some cases those
12 discount would be offered by the operating company
13 themselves. Sometimes I would do that in conjunction -- or
14 people that worked for me worked in conjunction with the
15 operating companies in making proposals in developing new
16 business to post discounts or to offer discounts to companies
17 that were proposing new business development work.

18 Q And who was in a position to decide what external
19 companies would be similarly situated?

20 A At this period of time each operating company -- my
21 role aside, each operating company had its own president who
22 was responsible for that company's compliance with its own
23 tariffs. So in that specific statement I would say it would
24 be the president of those companies.

25 Q And they reported to you, correct?

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1 A They did not.

2 Q They did not. To whom did they report?

3 A They reported to my boss, who was Rick Wells.

4 Q It would have been those presidents then that would
5 have determined who the similarly situated non-affiliated
6 shippers would be that so that would require posting on the
7 electronic bulletin board?

8 A It would be their responsibility to make that
9 determination as to whether or not a posting would be
10 required, yes.

11 Q Did you supervise anyone who was required to make
12 the postings?

13 A No, I did not.

14 Q Did you supervise any one of the affiliated
15 marketers who would have reported to those presidents?

16 A I had no responsibilities within the affiliated
17 marketing companies.

18 MS. SHEMWELL: I see it's 10:30. Shall we take
19 five minutes?

20 MR. DEFORD: Sure.

21 MS. SHEMWELL: We'll go off the record. And for
22 those of you on the line I have 10:30. We'll back on at
23 twenty-five 'til.

24 We're off the record.

25 (Whereupon there was a brief recess).

00041

1 MS. SHEMWELL: Let's go back on the record.

2 Q (By Ms. Shemwell) Earlier we discussed Dennis
3 Langley, L-a-n-g-l-e-y. Who is Mr. Langley besides having
4 ownership interest in these pipelines?

5 A Who is he? From my standpoint he's an individual
6 that has an investment interest in these pipelines.

7 Q How did you meet Mr. Langley?

8 A I had met him previously in my role as corporate
9 development for KN Energy; completed a transaction with Mr.
10 Langley in conjunction with a project that KN was pursuing to
11 gain access to the Kansas City marketplace.

12 Q Does that mean you were involved in his Kansas
13 pipeline business?
14 A No, I was not.
15 Q Was it through the Kansas pipeline business that
16 you met him?
17 A It was through a transaction involving the purchase
18 of some contracts that Mr. Langley had through one of his
19 Kansas companies that KN ultimately acquired from those
20 companies that I met Mr. Langley.
21 Q And you said it was contracts that they acquired?
22 A It was contracts.
23 Q They didn't do a pipeline transaction with him?
24 A What KN acquired from him in this was as a part of
25 the Pony Express Pipeline project. Mr. Langley had through

00042

1 one of his companies contracted with the two local
2 distribution companies in Kansas City to provide
3 transportation services to those companies in the form of
4 multi year contracts.
5 Q Are you aware are those Kansas City companies
6 Missouri Gas Energy and Utilicorp, which is now known as
7 Aquila?
8 A It was not Utilicorp. It was MOGas Energy and
9 what is now known as Oneok or Kansas Gas Service.
10 Q I'm thinking of Missouri, but it's both sides of
11 the state line that you're describing?
12 A Both sides, yes.
13 Q Is Mr. Langley a majority equity owner in MPC?
14 A No.
15 Q Who is?
16 A United Pipeline Systems owns a hundred percent of
17 the equity in MPC.
18 Q And is he the majority owner of UPSI?
19 A UPSI does not exist. United Pipeline Systems is an
20 LLC.
21 Q When you say UPSI does not exist, would you say a
22 little more about that?
23 A As is a matter of public record on the Public
24 Service Commission records in the time of the acquisition
25 approval, which was 2001, Gateway Pipeline Company, Inc.,

00043

1 filed to acquire a hundred percent of the stock of Utilicorp
2 Pipeline Systems, Inc. That transaction was approved by the
3 Commission in late 2001.
4 The latter part of 2002 Missouri Pipeline Company
5 and Missouri Gas Company also filed with the Commission to
6 convert their form of ownership from C-corps to limited
7 liability companies. At that same time Utilicorp Pipeline
8 Systems, which had now been renamed to United Pipeline
9 Systems, was also changed from a C-corp to an LLC.
10 Q That that's when it lost the I for incorporated,
11 huh?
12 A Yes.
13 Q The case you're referring to as I recall was
14 GM-2001-585; is that your recollection?
15 A I would have to take your word for that, Lera. I
16 don't recall what the case number was.
17 Q Do you recall the order in that case?
18 A Generally.
19 Q What contact did you have with the Missouri
20 Commission prior to filing that case?
21 A What contact did I have?
22 Q Yes.

23 A I don't recall having a contact with the Commission
24 prior to that case.
25 Q Do you know if Mr. Langley talked to the Commission
00044
1 prior to that case?
2 A You would have to ask him. I do not know.
3 Q Where does Mr. Langley currently reside?
4 A His state of residence is Rapid City, south
5 Dakota.
6 Q Does he still have that big home over in Kansas?
7 A I think he has an ownership of property in Kansas
8 as well.
9 Q Including an ice rink?
10 A I don't know what his other investments are nor do
11 I try to keep track of them.
12 Q Was Mr. Langley a majority equity owner in Omega?
13 A A hundred percent of the equity in Omega was owned
14 by Mowood, LLC.
15 Q Was he the primary owner of Mowood?
16 A He was a majority equity owner in Mowood.
17 Q Who are the other equity owners in Mowood?
18 A Myself.
19 Q Anyone else?
20 A Nope.
21 Q Same division that we discussed earlier?
22 A Please clarify.
23 Q **
24
25 **
00045
1 A ** **
2 Q Where does Gateway fit into all of this?
3 A Gateway is a hundred percent equity holder of
4 United Pipeline Systems.
5 Q Who works for United Pipeline Systems?
6 A Nobody.
7 Q Who works for Gateway?
8 A Nobody.
9 Q Who works for Mowood?
10 A Nobody.
11 Q Are you an employee of any of these entities except
12 MPC and MGC?
13 A I believe I stated earlier I am not an employee of
14 MPC or MGC.
15 Q You have the development -- I'm sorry -- the R2
16 Development contract with them?
17 A I am an employee of R2 Development, Inc.
18 Q Are you the only employee?
19 A Yes, I am.
20 Q Have you been employed by any other organizations
21 besides these that we've just discussed since January 1, '99?
22 Since you left KN is the question?
23 A No.
24 Q When did you set up R2? Perhaps I should say is R2
25 incorporated?
00046
1 A Yes, it is.
2 Q When did you incorporate?
3 A Early in 2000.
4 Q Where is it incorporated?
5 A Colorado.
6 Q When you say early, do you recall if it was January
7 or February?

8 A First half of the year.
9 Q Are you able to be any more specific?
10 A I don't recall.
11 Q Who are the principals of R2; president,
12 vice-president?
13 A Myself and my wife.
14 Q Her name?
15 A Sheila.
16 Q Spell it for me?
17 A S-h-e-i-l-a.
18 Q Do you have a corporate home office?
19 A Yes.
20 Q Where is that?
21 A 6137 Colorow Drive, Morrison, Colorado.
22 Q Is that your home?
23 A Yes, it is.
24 Q What does Omega Pipeline Company do?
25 A First of all, I think it's important that we
00047
1 establish for the record that I am no longer an employee of
2 Omega Pipeline.
3 Q I'll rephrase. What did they do when you were with
4 them?
5 A As a former employee one of the things that I've
6 discussed with counsel here today is that you're asking me to
7 give testimony in this case as to my previous role as a
8 former employee of Omega Pipeline. I do not have legal
9 counsel here representing Omega Pipeline. As you're aware
10 that company was sold and I no longer have any interest and I
11 don't have any legal representation here for this proceeding.
12 Ultimately that's going to limit the kinds of things that I
13 can discuss here today.
14 Q Okay. So are you refusing to answer that
15 question?
16 A Which question are you talking about?
17 Q What did Omega Pipeline do when you were associated
18 with it?
19 A I was aware as my role in the pipeline companies
20 that Omega was primarily a gas distribution company located
21 on Fort Leonard Wood.
22 Q As a gas distribution company located on the Fort
23 what services did they provide?
24 A Gas distribution.
25 Q Did Omega provide commodity to the Fort?
00048
1 A The complete scope of Omega's work on Fort Leonard
2 Wood is a matter of prior employment.
3 Q Yes, I'm asking what did you do then?
4 A And I don't have legal counsel here to represent me
5 in terms of what the scope of work or what the transactions
6 were or what Omega did in that period of time.
7 Q Do you know what they did?
8 A It's my understanding that they provided commodity
9 services from time to time.
10 Q Does from time to time mean occasionally, for weeks
11 or months or how do you define time to time?
12 A As a transporter on the pipeline system there were
13 times when they were a transporter of commodity to the Fort
14 and there are times when they were not a transporter of
15 commodity to the Fort.
16 Q And you're referring to Omega as opposed to the
17 Department of Defense being a transporter, right?
18 A As far as I know the Department of Defense never

19 held transportation agreements on the pipelines of MPC and
20 MGC.

21 Q Can you say who held space on the pipeline for
22 Omega, who had capacity?

23 A The question doesn't make sense. If Omega held
24 capacity, they held capacity.

25 Q And who else held capacity that was at Fort Leonard
00049

1 Wood?

2 A **

3

4 **

5 Q Were you an officer of Omega until it was sold?

6 A Yes, I was.

7 Q Were you also an owner?

8 A Yes, I was.

9 Q And what period of time were you an officer with
10 Omega?

11 A From its acquisition to the time it was sold.

12 Q And when was it acquired?

13 A The beginning of 2002.

14 Q Had Mr. Langley had an interest in that pipeline
15 prior; do you know?

16 A I don't know that. You would have to ask him
17 that.

18 Q And when I say pipeline, I'm referring to the
19 distribution center system on the Fort?

20 A Not that I am aware of.

21 Q Would you describe the work that you specifically
22 did for Omega?

23 A I believe I've already answered that question
24 before in terms of providing overall management of the
25 pipeline operations.

00050

1 Q So did R2 have a contract with Omega?

2 A As I said previously, I was an employee of Omega.

3 Q What was your title?

4 A President.

5 Q President. Did you receive compensation for your
6 work as president?

7 A Yes, I did.

8 Q How much?

9 A **

10 **

11 Q Did you submit expense reports or did you incur any
12 expenses when you worked for Omega?

13 A **

14

15

16 **

17 Q Would you have considered any of your travel to the
18 Algana, A-l-g-a-n-a, Court to have been work for Omega?

19 A I don't recall that there was ever a trip that I
20 took to the St. Peters office that was specifically for
21 Omega.

22 Q Might you have done Omega work while you were
23 there?

24 A I don't recall any specific trip involved specific
25 work for Omega if any.

00051

1 Q The question kind of was more general than that.

2 Did you do Omega work when you were at that office?

3 A Again, you know, you're talking about in

NP

4 generalities. I was -- I had a role as an employee of Omega
5 and could I have thought about something for Omega when I was
6 at the St. Peters office? That's certainly possible.

7 Q Would you have made phone calls?

8 A I don't recall.

9 Q Did you supervise any other employees of Omega?

10 A Yes, I did.

11 Q And who were those employees?

12 A Primarily person on the Fort is individual named
13 David Shockley.

14 Q What does Mr. Shockley do?

15 A Manages the overall operations of the assets on the
16 Fort.

17 Q That includes a propane facility; is that
18 correct?

19 A There is a propane air plant located on the Fort
20 that is part of the assets that Omega owns.

21 Q What other assets does Omega owns on?

22 A It owns an gas distribution system on the Fort.

23 Q What else?

24 A That's it.

25 Q How often did you travel to the Fort?

00052

1 A Per some time period? I mean give me some --

2 Q Annually how often would you travel to the Fort?

3 A I made one trip to the Fort last year, 2005.

4 Q Who was your contact at the -- did you have a
5 contact other than Mr. Shockley at the Fort?

6 A There are certainly points of contact within the
7 government who managed the affairs of the Department of
8 Defense at Fort Leonard Wood.

9 Q And who did you talk to there?

10 A The energy manager on the Fort is an individual
11 named Allen Simpson. Contracting officer that I dealt with
12 primarily for the last year and a half was Gary Carr,
13 C-a-r-r.

14 Q Were the expenses for that trip, how were those
15 reimbursed to you?

16 A What are we talking about?

17 Q You said you made a trip to the Fort and you would
18 have some expenses I assume; travel expenses, gas,
19 potentially meals. How were those expenses reimbursed to
20 you?

21 A I didn't say there were any expenses.

22 Q Were there expenses?

23 A I don't know how you could break out the expenses
24 associated with providing transportation service to a major
25 customer from visiting with that customer and differentiating

00053

1 as to whether or not that discussion was as it related to a
2 customer of the pipeline company or whether it was a customer
3 of the distribution entity there. ** _____ **

4
5 Q ** _____ **

6 A ** _____ **

7 Q Did you ever charge any of your expenses while you
8 worked for Omega to Omega, to the Omega company?

9 A Lera, I believe you already asked that question
10 before and I already answered it.

11 Q I'd appreciate it if you'd answer again.

12 A ** _____

13
14 _____ **

NP

15 Q Does Omega hold contract with Department of
16 Defense, did Omega?

17 A It's my understanding that the Public Service
18 Commission staff requested a copy of Omega's agreement with
19 Fort Leonard Wood and, therefore, has a copy of it. So,
20 yeah, I think you know that they've got a contract with Fort
21 Leonard Wood.

22 Q Omega has a contract with Fort Leonard Wood?

23 A Yes.

24 Q Did you execute that contract?

25 A Yes, I did.

00054

1 Q On behalf of Omega?

2 A Yes.

3 Q The sale of Omega to the new owners was
4 approximately June of this year; is that correct?

5 A Effective June 1st, yes.

6 Q Did you negotiate the agreement?

7 A I was involved in that negotiation.

8 Q With whom did you negotiate?

9 A Excuse me?

10 Q With whom did you negotiate?

11 A You're talking about the company or the acquirer?

12 Q Yes, the company.

13 A The interest in Mowood, which is the hundred
14 percent equity holder of Omega, was acquired by Tortoise
15 Capital Resources Corporation.

16 Q Are they the new owners?

17 A Yes, they are.

18 Q And you've indicated earlier you have no
19 relationship to them or financial interest?

20 A I do not.

21 Q When did Omega go up for sale?

22 A ** _____

23 _____

24 _____

25 _____

00055

1 _____ **

2 Q How did Tortoise then become aware of the potential
3 for sale?

4 A ** _____

5 _____

6 _____

7 _____ **

8 Q And would that include all of the assets of
9 Omega?

10 A Yes.

11 Q Did they acquire only the assets of Omega in this
12 transaction? Were there any MGC assets included or MPC?

13 A First of all, they only acquired the assets in its
14 limited liability interest in Mowood, LLC, which is a hundred
15 percent the equity holder of Omega. And as far as I know
16 that is the only assets that were involved in the
17 transaction.

18 Q Do you know who the new president is?

19 A Yes, I do.

20 Q What's his name?

21 A Jay Hopper.

22 Q H-o-p-p-e-r?

23 A Yes.

24 Q I should have not assumed it was a man I suppose,

25 but --

NP

00056

1 A But it is a he.

2 Q Do you have any ongoing business relationship with
3 Tortoise?

4 A I have no other business relationship with
5 Tortoise.

6 Q You had a thirty day transition services agreement;
7 is that correct?

8 A That's true.

9 Q And what type of services did you provide under
10 that?

11 A I went through to the best of my ability and did a
12 download of the history and the business and the business
13 relationships that Omega was involved with and answered
14 questions to the extent that the new president had questions
15 about how the company's previous business was being
16 conducted.

17 Q Where does Mr. Hopper have his office?

18 A Again, I'm not -- I don't intend to speak for Mr.
19 Hopper. He currently has a mailing address in Fort Collins,
20 Colorado.

21 Q Does he use the Algana Court office?

22 A He does not.

23 Q What employees --

24 A Let me clarify. As part of the transition services
25 agreement there was a period of time in which the business

00057

1 was to be transferred, so we are currently in the process of
2 identifying any invoices or receipt of mail that comes into
3 the Algana Street in St. Peters and redirecting that to
4 either the Fort Leonard Wood address or to Jay Hopper at his
5 Fort Collins address and then identifying vendors as such
6 that the address has changed, which may still be ongoing.

7 Q Would you describe specifically the documents that
8 you have or are transferring? I'll just give an -- let me go
9 through this list then you can add if there's anything else
10 you can think of.

11 Employee information.

12 A As far as I know has been transferred.

13 Q And what would that include? First, let me ask
14 which employees would have transferred with this sale?

15 A There were two employees, David Shockley and Jim
16 Newton.

17 Q N-e-w-t-o-n?

18 A N-e-w-t-o-n.

19 Q Are those the two gentleman who are at the Fort?

20 A That's correct.

21 Q They report to the Fort for their duties and have
22 an office there?

23 A That's true. There were two other employees that
24 were employed by Omega at the time of the sale. I was one
25 and my employment was terminated. There was one other

00058

1 employee named Ron Blevins, who was an employee of Omega, but
2 split his time; he spent time both for Omega and for the
3 pipeline performing maintenance activities on the pipeline.
4 And he was transferred back to the pipeline as a full-time
5 employee.

6 Q Since we're talking about that, would all of the
7 maintenance records for the Fort have also gone with the
8 sale?

9 A They've been transferred. Again, since Omega was
10 not sold, Mowood equity interest was sold, Omega still

11 operates the same as it did before the transaction so there
12 was no transfer of records for Omega; Omega's records are
13 owned by Omega.

14 Q How do they know what maintenance you've done on
15 the pipeline on the Fort then?

16 A They're Omega's records.

17 Q But you didn't transfer them to the new owners?

18 A They are Omega's records, so there was no need to
19 transfer them.

20 Q Did you physically move them to a different
21 location?

22 A They were physically located at Fort Leonard
23 Wood.

24 Q What about the employee information?

25 A As far as I know we provided to the new owners of
00059

1 Mowood all the information they requested.

2 Q Would that have come from Yvette Korb?

3 A It may have been come from Yvette Korb. I don't
4 know what they asked for from Yvette.

5 Q What about contracts?

6 A We, again, provided all of the contracts that they
7 asked for.

8 Q Payroll information?

9 A Certainly historical payroll information was
10 provided.

11 Q Billing information?

12 A I do not know what billing information was
13 provided.

14 Q Who would know that?

15 A I would ask for Tortoise Capital to make that
16 representation.

17 Q What entity owns the line to the ** _____ **
18 plant?

19 A MOGas Company has a delivery point to ** _____
20 ** at St. Roberts.

21 Q And the line that was constructed to the ** _____
22 ** plant itself, who owns that?

23 A Missouri Gas Company.

24 Q Did you transfer any computers to Tortoise?

25 A Again, what was owned by Omega before the
00060

1 transaction was still owned by Omega after the transaction.

2 There were no computers transferred.

3 Q Did Omega own computers?

4 A Omega does own computers.

5 Q And so Omega continues to own computers as far as
6 you know?

7 A And they still have those same computers.

8 Q Did Omega and do they still own CDs?

9 A Excuse me?

10 Q CDs, software, data information?

11 A Again, I can't represent as to what they currently
12 own past the transaction date.

13 Q On the transaction date did CDs that Omega had
14 owned stay with Omega?

15 A There was information that was provided as a part
16 of the transaction that was both in CDs and in paper.

17 Q The bank accounts that Omega had, did those stay
18 with Omega?

19 A Yes.

20 Q Accounts receivable?

21 A Yes.

NP

22 Q Did Omega have accounts receivable?
23 A Well, as of the closing date there were no accounts
24 receivable.

25 Q What about accounts payable?
00061

1 A Any accounts payable in terms of outstanding
2 liabilities were retained by Omega at the transaction date.

3 Q Did Omega have separate bank accounts from MPC?

4 A Yes, they did.

5 Q And would those bank accounts have remained with
6 Omega?

7 A Yes.

8 Q Any files that remained with Omega containing, for
9 example, maps?

10 A Again, what Omega owned before the transaction they
11 owned after the transaction.

12 Q Did they have maps?

13 A You're specifically asking for did they have maps
14 of the distribution system at Fort Leonard Wood?

15 Q Yes.

16 A The government provides as a part of their overall
17 operation of the Fort a geographical information system that
18 includes all facilities located on the Fort. It was historic
19 practice for Omega to provide to the Department of Defense,
20 the government, a government employee, the as-builts for the
21 distribution system and the government would incorporate
22 those as-builts into their geographic information system.

23 So to specifically answer your question, Omega did
24 not have maps; they have the maps that are accumulated and
25 maintained by the government.

00062

1 Q Was it Omega employees who built additional
2 pipeline on the Fort facility?

3 A Certainly Omega employees would be involved with
4 the construction of new facilities. It's not to say that
5 Omega employees would do the construction.

6 Q Would they contract for the construction?

7 A They would contract for construction of new
8 facilities or they may do it themselves.

9 Q They meaning the Fort?

10 A The employees of Omega could either construct
11 themselves or hire contractors or third party contractors to
12 provide construction services depending upon the scope of the
13 work being requested.

14 Q Along that line then do those employees have
15 construction equipment?

16 A Again, construction equipment is a very broad,
17 vague term.

18 Q Okay. Let me break it down. Trucks?

19 A They have trucks.

20 Q Do they have backhoes?

21 A They do not have a backhoe.

22 Q Do they have any similar types of equipment?

23 A They do not have trenchers or dump trucks or
24 tractor trailers. They certainly have a number of tools,
25 pieces of equipment that they can use and they certainly have

00063

1 spades and shovels that they can dig holes with.

2 Q Were those used besides on Fort property?

3 A What was those used?

4 Q What you've just described in terms of the
5 equipment and tools that they had?

6 A The tools -- the trucks and tools in those trucks

7 generally followed the employment of the individual. Each
8 individual has their own truck and their own set of tools.
9 So to the extent that an employee, in this case David
10 Shockley and Jim Newton, provided a hundred percent of their
11 time or at least ninety-five plus percent of their time to
12 operations on Fort Leonard Wood they were used for the
13 Fort.

14 Q What about the other five percent of their time?

15 A There were times when those employees would provide
16 support to the pipeline operations.

17 Q In terms of maintenance?

18 A In terms of maintenance or operational activities
19 depending upon what was going on.

20 Q What's an operational activity; what would that
21 involve?

22 A Well, all of the things associated with operating
23 and maintaining a pipeline which, you know, I don't know that
24 I can recite the full list of things.

25 Q Just give us examples.

00064

1 A Measurement, meter calibration, investigation of
2 issues, loss of communications. Keep in mind there are three
3 delivery point meters located right at the entrance to the
4 Fort, those being delivery meters to Fort Leonard Wood, to
5 the City of St. Robert and to the City of Waynesville.

6 Q Who owns those? I'm sorry. Go ahead.

7 A And there certainly were times where if there was
8 an issue related to one of those meter stations, it was much
9 more efficient and proficient to have an employee of Omega
10 investigate those kinds of issues and look for solutions or
11 fixes or repairs of that meter station and certainly in the
12 immediate upstream pipeline length coming into the Fort to
13 perform routine maintenance activities whether it be, you
14 know, painting of the facilities or, again, investigation of
15 problems and working with One Call notifications in terms of
16 marking the pipeline. It was not unusual to have an Omega
17 employee go off base to perform a line locate for a
18 contractor to provide the service associated with operating a
19 pipeline.

20 Q Those meters, are they located on Department of
21 Defense property or off of?

22 A They're just inside the property of the Fort.

23 Q Who owns the meters?

24 A Missouri Gas Company.

25 Q When you were saying about painting facilities, do

00065

1 you have a pipe that runs above ground that they're
2 painting?

3 A The meter stations are above ground.

4 Q The meter stations, okay.

5 A Certain valve settings are above ground.

6 Q We've talked with Mr. Lodholz about SCADA. Do you
7 have SCADA equipment?

8 A We do.

9 Q What does SCADA mean; do you know?

10 A SCADA is an acronym that stands for Supervisory
11 Control and Data Acquisition, S-C-A-D-A.

12 Q Thank you for answering that question for me.

13 A That's a term that generally applies to any form of
14 computerized data acquisition system that collects and
15 accumulates data related to the operation of the pipeline.

16 Q So just a little bit more on that. Does it report
17 pressures? If you had a loss of pressure, would it report

18 that sort of thing?

19 A Again, it depends. There's a very wide variety of
20 things that can or may be tracked or identified in a SCADA
21 system. Part of that is a matter of how often the
22 communication occurs from a specific point to a central
23 supervisory station.

24 Q So let me say you would have some computer
25 equipment sitting out on the pipeline and it would report
00066

1 back I guess over telephone lines to a central station?

2 A More specifically kind of the other way around.
3 There are certainly computer based equipment located out on
4 the pipeline that can and does communicate through a variety
5 of ways back to a central computer. That central computer is
6 located at St. Peters, Missouri, and it applies to all of the
7 pipelines that we're talking about here in terms of MIG, MPC
8 and MGC.

9 The communication process is not necessarily the
10 same for all points. There are points that the pipelines
11 have that do not require supervisory control. Supervisory
12 control implies that you have a central location that is
13 providing some control mechanism to a delivery point off of
14 the pipeline and it might be a receipt point or it might be a
15 delivery point. Not all of the points located on the
16 pipeline require supervisory control.

17 If you have a point of delivery to a local
18 distribution company that requires or depends upon that
19 pipeline for a hundred percent of its needs, it's not
20 customary to provide supervisory control of that point. You
21 provide a given set point pressure and all of the volume
22 that's required at that location is then delivered off of the
23 pipeline. In a situation like that you may only communicate
24 with that delivery point once a day or in some cases once a
25 month although in the case of Missouri Pipeline we have
00067

1 communication -- Missouri Pipeline, Missouri Gas Company and
2 MIG, we have communication with every point at least once a
3 day.

4 Q Is that how you know you're delivering at the
5 required pressure? Is there a required pressure for you to
6 deliver to the Fort?

7 A There is a -- the required pressures are generally
8 defined by agreement. In most cases there is not a required
9 pressure. The tariffs are generally written these days that
10 it's delivered at whatever pressure is required for at time
11 to time. The customary delivery pressure to Fort Leonard
12 Wood had been the established for a number of years.

13 Q So you don't guarantee the pressure; is that --

14 A Most companies don't guarantee pressures.

15 Q How do you know if you're losing pressure, let's
16 say, on the last leg of the pipeline to the Fort?

17 A Well, part of the purpose of the SCADA system is to
18 at least identify critical points on the system so that you
19 know what the pressure on the pipeline at the delivery point
20 is and certainly we have those at the end points of the
21 pipeline system.

22 Q I guess my question is this. How you would
23 determine, for example, if someone cut the pipe? A
24 contractor was digging and cut the pipe in a certain location
25 on that pipeline?

00068
1 A If you saw a rapid drop in pipeline pressure, you
2 would certainly investigate that fairly quickly. More often

3 than not, Lera, we would detect whether or not someone had
4 cut the distribution company's pipe through a rapid increase
5 in delivery volumes to a distribution company as opposed to a
6 loss of pressure on our system.

7 Q Which is probably more likely since construction is
8 occurring at the Fort --

9 A Exactly.

10 Q -- than elsewhere along the line?

11 A Or not necessarily limited to the Fort. It's any
12 distribution company.

13 Q What other distribution companies are you including
14 in that? ** _____ ** for example, or --

15 A I would include all of the customers that the
16 pipeline served including Laclede, Ameren, what had been
17 Fidelity at Sullivan, the cities at St. James, St. Robert,
18 Wayneville, ** _____ ** and Fort Leonard Wood.

19 Q Which of those do you consider to be customers or
20 were customers of Omega?

21 A Again, I'm going to say I don't know feel
22 comfortable talking about the business of Omega without
23 having legal representation here.

24 Q Can you have legal representation here tomorrow?

25 A I don't know how that would be possible.

00069

1 Q Can we call who is the legal representation for
2 Omega?

3 A I don't know. I'm not involved with them any
4 more.

5 Q Who was your legal representative when you still
6 owned it? Mr. DeFord can't act -- I guess he can't act in
7 that capacity? No.

8 A I believe the individual that represented Omega
9 prior to the transaction date was Dan Young.

10 Q Well, are you comfortable answering in terms of
11 prior to the acquisition date? You said primarily. Who were
12 the other -- who the other customers were of Omega? For
13 example, City of Cuba?

14 A ** _____

15 _____ **

16 Q Would that agency relationship have come from a
17 contract, the contract?

18 A I don't know what you mean by the contract.

19 Q You mentioned earlier that we have the contracts.
20 I believe Mr. Lodholz looked at a contract for the ** _____

21 **? We can dig it out later if necessary.

22 A I recognize that there was a contract in place
23 between Omega and the ** _____ **

24 Q What about ** _____ **?

00070

1 A What about them?

2 Q Are they or were they a customer of Omega?

3 A Again, I don't feel comfortable talking about the
4 customers of or the business relationship of Omega with its
5 customers.

6 Q When you were president of Omega, was ** _____
7 ** a customer of Omega?

8 A ** _____ **

9 Q ** _____ **

10 A ** _____ **

11 Q ** _____

12

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NP

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A ** _____

Q Did the pipeline -- do you know did they ship gas to G-P?

A I know that the pipeline shipped gas to the City of Cuba.

Q Do you know if any of that gas went to ** ____ **?

A Not from the standpoint of the pipeline.

Q What about from the standpoint of Omega?

A Again, you're asking me to give you testimony related to a company that I'm no longer employed with and no longer had legal representation.

Q I happy to limit it to the time that you were president of Omega and for any other questions we'll limit it that way.

A I'm sure you would like to limit it to a certain time period where I can answer. I don't feel comfortable answering on behalf of Omega and its business practices.

Q But when you were president, who else would answer for Omega and their business practices?

A I would answer for Omega in its business practices, but I'm not longer their president.

Q When you were their president was ** ____ ** a customer of Omega?

A I will say again from the standpoint of the pipelines --

Q I'm asking you as president of Omega?

A And I'm saying I don't feel comfortable answering and discussing with you the business practices of Omega at a point in time prior to the transaction or after the transaction because I don't have legal representation here.

Q How can we arrange to discuss this with you?

A I think the new owner is Tortoise Capital

Resources.

Q I'm wanting to ask questions about when you were president.

A I understand and that is their business.

Q Right. But it was your business at some point.

A It wasn't my business personally.

Q But you were the president, so --

A I was an employee.

Q Well, I'd like to ask you some specific questions about when you were an employee, so how do we arrange to do that? Are you going to get representation?

A The new owners are Tortoise Capital Resources Corporation. We'd have to arrange that through them.

Q You no longer have a relationship with Tortoise Capital; is that correct?

A That is correct.

Q Are you just refusing to answer questions about the relationship between Omega and ** ____ ** when you were president?

A I am.

Q Do you realize that we can certify this to the Commission and ask you to answer under those circumstances?

A I'm sure you can.

Q Were there any other customers of Omega that you'd mention at this point?

NP

25 A **
00073
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2
3
4 Q **
5 A **
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7
8
9 Q Do you know if ** has a contract -- had a contract
10 with Omega during that time period?
11 A I've already said I do not feel comfortable
12 discussing the prior relationship as an employee of Omega
13 without legal representation.
14 Q **
15
16 A **
17 Q **
18 A **
19
20 Q **
21
22 A **
23 Q **
24 A **
25 Q **

00074
1 A Same answer.
2 Q What do you have to say about **?
3 A Don't have an answer.
4 Q Do you want to tell me why ** is different from
5 the other three that you're not willing to discuss it?
6 A A, they're not connected to the pipeline and, B,
7 they've never held a transportation agreement on the
8 pipeline.
9 Q Are they behind one of the cities?
10 A Yes, they are.
11 Q Where are they located?
12 A You said previously that they were located at the
13 ** and I don't think you lied to me.
14 Q But I might be mistaken because I don't know this
15 business as well as you do, so I could be mistaken.
16 A Well, if you're not mistaken, I believe they're
17 located at the **.
18 Q Okay, that's fair enough. Back to our supervisory
19 control and data acquisition systems, it's my recollection
20 that Aquila was providing the monitoring for that. Is that
21 still the case?
22 A The pipelines entered into an agreement with Aquila
23 for monitoring -- and generally this is limited to after
24 hours monitoring, but that's not the case here -- wherein the
25 data that's provided or collected at the SCADA computer at

00075
1 St. Peters is also then transferred by satellite to Aquila's
2 gas control center. And there is an agreement with the
3 pipelines to have that gas control center monitor that data
4 and report to the pipelines on a twenty-four hour seven day a
5 week basis, both any upsets or unusual situations, but also
6 to provide the function of supervisory control when it's
7 necessary.
8 Q And you said they were twenty-four seven; is that
9 why you contracted with them?

NP

10 A Yes.

11 Q Because they have that ability to be --

12 A Because it was less expensive for them to do that
13 than for anybody else that I could provide or find to do it.
14 And I also asked other people or from what I could tell then
15 for us, us being the pipelines, to staff that function and
16 have it available on a twenty four hour seven day a week
17 basis.

18 Q If they see an emergency though, who do they
19 contact?

20 A They contact the pipeline company employees. We
21 maintain a call roster of people that are on call from a
22 twenty-four seven basis, so whenever they have an issue or a
23 problem with operations, they call the appropriate on call
24 employee.

25 Q Have you had emergency situations called in on the
00076 pipelines?

2 A Well, emergencies can evolve from a large number of
3 things. Most typically the two kinds of emergencies that we
4 see are from the stand point of, A, a sudden change in
5 pressures or volumes at a delivery point and primarily
6 weather related interruptions predominantly of electronics
7 computers, communication systems. Obviously we're talking
8 about a satellite hop of -- actually, from the remote
9 locations to the central computer leased telephone line.
10 From the central computer to the Aquila gas control center
11 it's a satellite hop and from time to time we can see an
12 interruption in one of those data gathering points.

13 I don't know that in any case we would call those
14 an emergency, but they can certainly lend themselves to a
15 call out whether it be from a short term need to establish
16 communication or from a general need to have somebody
17 investigate an issue in terms of loss of communications.

18 Q You had some SCADA equipment associated with the
19 Fort, correct?

20 A That's true.

21 Q And would that now be monitored by the new owners
22 or would that relationship have continued with Aquila?

23 A The meters, the measurement, the SCADA monitoring
24 at the entrance to the Fort is owned by Missouri Gas Company
25 and that continues to be owned by Missouri Gas Company and
00077

1 that's still part of the pipeline's SCADA system.

2 Q Is there SCADA on the pipe on the Fort?

3 A No.

4 Q So any situations there, you'd pick up probably at
5 the entrance?

6 A Yes.

7 Q You said an increase in --

8 A Any sudden change in volume or pressures.

9 Q When you've got, let's say, a break on the pipeline
10 for whatever reason, who would answer that? Who would
11 answer, who goes out?

12 A Well, first of all, in the existence of this
13 pipeline there's never been a break on the pipeline.

14 Q So nobody dug in and hit the pipe or --

15 A That's correct.

16 Q Is this a new pipe?

17 A There are portions of it that were built in the
18 late forties, early fifties. The majority of the
19 construction in terms of converting it from a previous
20 service to this service occurred in the years from 1989

21 through 1992, which in pipeline terms is a relatively new
22 pipeline.

23 Q Would Omega reimburse MPC for any of these
24 services, SCADA monitoring the meters?

25 A Omega does not reimburse the pipeline nor do any of
00078 1 the other customers of the pipelines reimburse them for those
2 services because those costs are all included in their cost
3 of service.

4 MS. SHEMWELL: I'm kind of coming to the end of a
5 series of questions. I want to ask anybody on the line if
6 they have any questions. Dave McCormick or anybody, do you
7 have any questions?

8 MR. MCCORMICK: Dave McCormick has no questions.

9 MS. SHEMWELL: Thank you.

10 MR. KURTZ: David Kurtz doesn't either.

11 MS. SHEMWELL: Thank you.

12 MR. WOODSMALL: Lera, this is Dave Woodsmall. I may
13 have a couple, but I'll just save them until the very end.

14 MS. SHEMWELL: Okay. Anyone else?

15 MR. ZUCKER: Rick Zucker doesn't have any
16 questions.

17 MS. SHEMWELL: Okay. Is this a time that you would
18 like to take break for lunch?

19 (Whereupon there was a lunch recess).

20 MS. SHEMWELL: We're here on the afternoon of July
21 20th to continue the deposition of Mr. David J. Ries. We'll
22 go back on the record.

23 Before we move on, if anyone has any questions they
24 wanted to ask at this point?

25 Hearing nothing.

00079

1 MR. MCCORMICK: Dave McCormick has no questions.

2 MS. SHEMWELL: Thank you.

3 PHONE PARTICIPANT: I can wait, Lera.

4 MS. SHEMWELL: Rick, you too?

5 MR. ZUCKER: Yes. No questions for Rick Zucker.

6 MS. SHEMWELL: All right, thanks.

7 Q (By Ms. Shemwell) Mr. Ries, I have one sort of wrap
8 up question. Did you ever testify at the FERC? Did we cover
9 that?

10 A I don't know that you asked that and I don't recall
11 that I've provided testimony at FERC.

12 Q Does that mean that you have not provided written
13 testimony in a case at the FERC?

14 A I don't recall.

15 Q If you had done it on behalf of, for example, MIG
16 do you think you would recall that?

17 A Geez, I would think so.

18 Q You need to talk up.

19 A I think I would.

20 Q With the latest filing have you filled any
21 testimony, the latest FERC filing?

22 A No, I haven't.

23 Q Which of the entities would you file testimony for
24 if you were going to in the current case?

25 A You're talking about the current case that was just
00080 1 filed in June?

2 Q That's it.

3 A I believe all three entities were represented in
4 that case -- Missouri Interstate Gas, Missouri Pipeline
5 Company, Missouri Gas Company with the surviving entity

6 intending to be Missouri Gas Company and it would probably be
7 the entity that would have testimony for that.

8 MS. SHEMWELL: Let's go off for just a moment.
9 (Whereupon there was a discussion held off the record).

10 MS. SHEMWELL: we'll go back on.
11 Q (By Ms. Shemwell) I'd like to discuss with you the
12 employees. And I apologize for the difficulty of reading the
13 middle section there. It was highlighted. This will be
14 Exhibit 2.

15 The top most list, Management Resources Group,
16 Inc., can you tell me what that company is?

17 A All I really know about Management Resources Group
18 is that it's another entity that is owned by Dennis
19 Langley.

20 Q Do you have any interest in that company?

21 A I do not.

22 Q Do you know what they do?

23 A I do not have direct knowledge of what activities
24 they're involved with; I do not.

25 Q Do you have any indirect knowledge?

00081

1 A Well, obviously to the extent that we do have some
2 interaction from a pipeline company standpoint with
3 Management Resources Group because they clearly were in
4 existence before the acquisitions of the pipelines were made
5 and they contracted for pipelines employee benefits on a
6 group basis, I know that there are people there that from
7 time to time employees of the pipeline company have
8 interaction with. But other than that I don't have any
9 direct knowledge or even indirect knowledge of what kinds of
10 projects they're involved with.

11 Q The type of interaction your employees would have
12 with them am I understanding you correctly that that is for
13 employee benefits?

14 A Primarily, yes. You know, and from the accounting
15 side. We, the pipeline company, would provide direct
16 reimbursement for the appropriate cost, which is what this
17 sheet was primarily used for, in providing detailed billing
18 for the benefits that were provided to the employees.

19 Q When we're saying benefits, are we talking about
20 the sorts of things like health care coverage?

21 A We're talking about health care, dental care, life
22 insurance, accidental death and dismemberment, 401K
23 administration.

24 Q Does MPC offer a retirement plan?

25 A No, they do not.

00082

1 Q Let's just start at the top of the list if we
2 could. Mr. Blevins, do you know Mr. Blevins?

3 A Yes, I do.

4 Q Did you hire him?

5 A I did not.

6 Q Was he with the company when you purchased it?

7 A It was.

8 Q What is his job duty?

9 A He is a pipeline technician.

10 Q Does he do work for anyone besides Missouri
11 Pipeline Company?

12 A I believe I did make some reference to Mr. Blevins
13 this morning. One of the things that occurred at this
14 particular point in time was that Mr. Blevins was an
15 employee, was being paid by Omega Pipeline. However, the
16 segregation at least as far as this list was concerned in

17 terms of his distinction for Omega had not yet been made. He
18 was being paid by Omega Pipeline, but also provided services,
19 you know, technician pipeline technician work for both Omega
20 Pipeline and Missouri Pipeline at the same time.

21 Q When you're dividing or allocating the salaries and
22 benefits of these employees, was that done by through put?

23 A In this particular case if you're talking
24 specifically about Mr. Blevins --

25 Q Uh-huh.

00083

1 A -- a hundred percent of his payroll cost was paid
2 for by Omega.

3 Q And would the same be true for his benefits?

4 A Well, clearly in this case if the check that was
5 actually written as a result of this segregation was the same
6 as outlined here, which I do not know, in this case I believe
7 in 2004 Mr. Blevins was a full-time employee of Omega
8 Pipeline. His benefits should have been paid by Omega
9 Pipeline even though from time to time some of his time was
10 being spent on the pipeline.

11 Q And he was the one who made the switch back to the
12 pipeline in January; is that correct?

13 A He was the one that made the switch back to the
14 pipeline at the time of the Omega sale, which was June 1st.

15 Q June 1st, sorry. And did his duties change as a
16 result of the transition back to the pipeline?

17 A Well, clearly he no longer provides any support or
18 services for Omega post transaction once we've gone through
19 the transition services period, which was for thirty days.
20 So to summarize I would say, yes, his duties did change. He
21 now spends a hundred percent of his time on the pipeline.

22 MS. SHEMWELL: Hello.

23 MR. KURTZ: Hi, David Kurtz. I got cut off, but I'm
24 back now.

25 Q (By Ms. Shemwell) Patty Hawkins, what does Patty

00084

1 do?

2 A Patty is the office manager.

3 Q For?

4 A She's located in St. Peters and is the office
5 manager for the pipelines.

6 Q MPC, MGC and MIG?

7 A Yes.

8 Q And did she formerly do work for Omega?

9 A Certainly to the extent that there was mail that
10 was delivered to the St. Peters office Patty would have been
11 the person that would have opened that mail and made the
12 distribution of it.

13 Q And would she have done things like distributing
14 payrolls to the people that work for Missouri Pipeline, the
15 checks; distributing checks, things like that?

16 A Well, I believe all the payroll was done by direct
17 deposit. I don't think there was any checks distributed.

18 Q How would her tasks be divided among MPC, MGC, MIG
19 and Omega?

20 A Her costs would be allocated based on through put
21 of the pipelines.

22 Q Does MIG have any through put?

23 A MIG did have -- does, did have through put, yes.

24 Q Which of the companies has the greatest through
25 put?

00085

1 A Missouri Pipeline.

2 Q And did Omega have through put so that she would be
3 allocated somewhat to them?

4 A No, Omega was not included in that allocation.

5 Q What other duties did she have in terms of
6 accounting?

7 A Well, she would, like I said, open the mail. If
8 there were invoices she would place those invoices in an
9 accordian file so when they came up for payment or a check
10 written that was passed on to Mr. Lodholz for payment. In
11 the interim she would acquire whatever internal approvals
12 that she needed relative to whether or not the services or
13 goods that were associated with that invoice had actually
14 been delivered and would primarily talk with the pipeline
15 employees to make sure that the invoice was acceptable for
16 payment and that could include myself.

17 Q So shall we use an example or if we could use an
18 example. R2 Development purchased I believe it was a
19 copier. Do you remember our discussion about that?

20 A Yes.

21 Q Would she get the invoice in for that?

22 A No.

23 Q Where would that go?

24 A That was purchased by R2 Development.

25 Q And paid for by R2?

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1 A And paid for by R2.

2 Q And reimbursed by anyone?

3 A And then reimbursed through the expense report that
4 you referenced as an office equipment expense.

5 Q So that reimbursement will come to you?

6 A Would go to R2 Development.

7 Q But in her duties she would make sure that you had
8 gotten that piece of equipment and --

9 A In that case the invoice would not have been sent
10 to her, so she would never have seen it. More specifically
11 if we bought some odorant for injection into the pipeline at
12 the receipt stations, we'd get an invoice for the odorant,
13 Patty would receive that, check with Dave Wallen to make sure
14 that the invoice was correct, put it in her file for payment
15 upon a due date. On the due date or in the week of the due
16 date it would have been scheduled and she would have given it
17 to B.J. for payment.

18 Q Did she ever pay anything herself? Did she have
19 check signing authority?

20 A No, she did not. She did have the ability to turn
21 in an expense report for miscellaneous purchases that she
22 might make for office equipment or supplies or postage or
23 something like that.

24 Q Did she perform any unique duties for any one of
25 the entities we've discussed? For MPC?

00087

1 A I don't know what you mean by unique.

2 Q Something that she would perform only for MPC as
3 opposed to the other entities?

4 A I don't believe so. I think it was pretty broad
5 applicability in terms of anything that she would do.

6 Q And would your answer be the same for MIG?

7 A Yes.

8 Q In terms of things she would do for MIG and
9 Omega?

10 A I don't think she had any unique duties for Omega
11 either.

12 Q Other than what we've described about her mail

13 opening, filing invoices --
14 A Yeah.
15 Q -- that sort of thing did she supervise anyone?
16 A No.
17 Q And who was her direct supervisor?
18 A Well, she had responsibilities in reporting to both
19 Dave Wallen and B.J. Lodholz, now Mike Mertz, in terms of
20 providing support services to both of those individuals.
21 Q Would her duties have included inventory of things
22 like company phones, I'm thinking about equipment that might
23 be out in the field?
24 A No.
25 Q Were there company vehicles for people? Did people
00088 have company vehicles?
1 A Yes.
2 Q How many company vehicles?
3 A Well, all of the people in the field have an
4 assigned vehicle. So that would be all of the employees --
5 well --
6 Q Five or six of the list, right?
7 A Ron Blevins, Jake John Lincoln, John Mittelhauser,
8 Dave Wallen and Bob Wilcox.
9 Q Were the companies (sic) permitted to use their
10 vehicles for personal use?
11 A The pipeline employees were allowed to drive their
12 vehicles to and from home because in many cases they were on
13 call employees. There were not to utilize the vehicles for
14 personal business once they reached their home.
15 Q Is the same true for company telephones?
16 A I would say generally that's true, yes.
17 Q How long has Patty worked for the pipeline
18 companies?
19 A I don't recall the exact date, but it's been a
20 couple years.
21 Q When you say couple, are you talking about two or
22 three or are you talking about ten?
23 A Oh, two or three.
24 Q Did she have any prior work experience with
00089 regulated gas companies?
1 A No.
2 Q Do you have any idea if she's familiar with the
3 Missouri Commission rules?
4 A I doubt it. I certainly did not take time to
5 explain Missouri Commission rules to her. Whether her direct
6 supervisors did I don't know.
7 Q Did she perform any job functions other than the
8 four entities that we've discussed?
9 A You're talking about MIG, MPC, MGC and Omega?
10 Q Correct.
11 A Other than anything that would be correlated or
12 related to the parents of those companies, I would say no.
13 Q For example, MOGas or Gateway she might have?
14 A Yeah. Well, it would be an indirect. Obviously
15 even this Commission likes to send mail to Gateway at
16 St. Peters and she would, therefore, open that mail.
17 Q Did she have specific daily job duties that she was
18 to accomplish on that day?
19 A Well, yeah. I mean she's got several specific job
20 functions other than opening the mail and processing
21 invoices. She has a process where daily she takes data off
22 of the SCADA system, pulls specific delivery numbers for the
23

24 gas days which ends at 9:00 a.m. each day and enters that
25 data both from the volumetric receipts from the receipt

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1 pipelines and the deliveries to all of the delivery points
2 and enters that data into an Excel spreadsheet, in effect a
3 volumetric accounting system. And that's part of her job
4 duties on a daily basis. In addition to that she would
5 produce special reports from the data that she gathered.
6 She also had responsibilities to in the case of the
7 receipt pipelines where we've got OBAs, or operational
8 balancing agreements, to make sure that the numbers that the
9 parties on the other side of the pipeline or the other side
10 of the meter I should say, agrees with our number. And if
11 there wasn't an agreement, to either investigate or bring
12 that to the attention of somebody that could figure out what
13 the issue is.

14 Q Are these documents that you've provided to the
15 commission?

16 A The general outcome of that process is the
17 volumetric reports that get included with the monthly
18 invoices. Those invoices as you will probably recall back in
19 our prehearing conference were documents that are not
20 routinely saved, but are saved in electronic form and have
21 been -- generally I would say they've been recreated or are
22 in the process of being produced. I don't know what the
23 status of that is. I think if you don't have them yet, you
24 should be receiving them shortly. And that was for 2004,
25 2005 and first three months of 2006.

00091

1 Q She enters it into Excel, but you said it's not
2 maintained or it's not maintained in that format?

3 A I don't know that -- I said we don't maintain paper
4 copies. Clearly we have the system that is used to track
5 those volumes and you have the ability to generate reports
6 and we have the ability to generate monthly reports and in
7 effect generate daily reports to shippers or agents of
8 shippers to confirm their nominations and to confirm daily
9 deliveries.

10 Q Is that what's in the process of being gathered as
11 a result of a data request?

12 A The data request that's in the process of being
13 produced -- actually, it's been generated and produced, is
14 the monthly invoices and with each one of those monthly
15 invoices the volumetric data support that shows nominations,
16 fuel lost and unaccounted for and deliveries by meters, by
17 shipper, by month for the last twenty-seven months, from '04
18 through first quarter of '06.

19 Q You mentioned lost and unaccounted for and I know
20 that as LUFG generally on a sheet; is that correct?

21 A Well, people refer it to as fuel, fuel lost,
22 unaccounted for gas, fuel lost and unaccounted for, LUFG. I
23 mean it's obviously lots of names that are associated with
24 that all generally intended to mean volumes retained by the
25 pipeline to compensate them for fuel either used or lost or

00092

1 unaccounted for in providing a transportation service.

2 Q So what kind of level of fuel unaccounted for were
3 you experiencing on your pipeline?

4 A When Aquila bought these pipelines in 1995 -- I
5 believe they closed the first of the year of 1995 -- prior to
6 that time I believe the pipelines had been providing a
7 bundled service meaning that fuel lost and unaccounted for
8 was not specifically accounted for because the pipeline

9 provided commodity sale services. When Aquila bought it they
10 established a fuel lost and unaccounted for percentage of .43
11 percent and had been using that and had used it consistently
12 up until the time that Gateway acquired Utilicorp Pipeline
13 Systems from Aquila.

14 One of the things that I began working on early on
15 was to investigate that level of fuel usage. From everything
16 that I could determine from the records that Aquila provided
17 me they had actually experienced that loss and in some cases
18 even greater losses, losses higher than .43 percent in
19 certain years, which from my background and experience seemed
20 to be excessive.

21 In I would say 2002 while monitoring the fuel lost
22 we did several things to investigate the fuel lost
23 percentage. One of the things that I found particularly
24 concerning was the spreadsheet that we talk about that this
25 data gets entered into seemed to have several internal issues

00093

1 related to keeping data and maintaining the data that was put
2 into it. We experienced over that first year several issues
3 with data being put into the system, saving the system, going
4 back to the system, opening it up and finding different data
5 and having in effect corrupted data show up in the system.
6 And I don't know how long Aquila had been experiencing that
7 problem or if Aquila even knew that they were experiencing
8 that problem.

9 By the end of 2002 I made the decision to replace
10 that system and in effect we designed a new system that had
11 better checks and balances that would balance the system on a
12 daily basis. By that time I had a hired a new engineer who
13 was a graduate from college and he in effect redesigned the
14 volumetric tracking system and took for the most part the
15 year 2003.

16 We repopulated all of the volumetric data, did
17 several tests and I think by early 2004 were comfortable that
18 we had at least had a system that we had confidence in that
19 we could both make sure that we had secure data and could
20 retrieve data out of that system without fear of it being
21 corrupted.

22 Unfortunately, when we got done with that process
23 the indication was and certainly experienced the indication
24 in 2004 that our actual fuel lost and unaccounted for
25 percentages were actually higher than the .43 percent we were

00094

1 collecting and by the end of 2004 came to the conclusion that
2 we really needed to start increasing our fuel lost and
3 unaccounted for retention percentage and began increasing it
4 to .5 percent which we did for a couple of contracts even
5 though during the same period of time we continued to look
6 for either methods or processes or equipment or accounting
7 which would explain the amount of gas that was not accounted
8 for or lost in the transportation process.

9 In I would say late '04, you know, by the end of
10 '04 we had essentially in effect replaced every piece of
11 equipment that we knew was suspect, disassembled several
12 meter stations to make sure that there weren't some internal
13 issues relative to upstream or downstream measurement runs,
14 filtering units that were plugged, straightening veins that
15 were blocked off or -- these are all equipment. I understand
16 that you probably can't appreciate, but I would say did a
17 fairly extensive investigation including looking at every
18 foot of the pipeline to make sure that to the best that we
19 could tell nobody had installed any unauthorized taps off of

20 the line, that we had any theft going on, were having a
21 fairly -- I mean did over I would say a three year period
22 investigated everything that we could possibly think of to
23 try to account for the .43 percent even though Aquila had
24 used that percentage since 1995.

25 In early 2005 I and Dave Wallen were at the
00095

1 Panhandle meter station, which is the receipt point for
2 Panhandle Eastern Pipeline, because in a conversation with
3 the meter tech for that location we had talked about the fact
4 that that station was a noisy station. It was loud in terms
5 of a decibel rating if you will.

6 So Dave Wallen and myself and actually Ryan, our
7 engineer, was with us. We went up there to the Panhandle
8 meter station; did, in fact, discover that there was a lot of
9 noise, a high decibel rating coming from that meter station.
10 That in and of itself does not lend itself to inaccurate
11 measurement, but the one thing that I did notice is that
12 there was a bypass around the control valve and that control
13 valve bypass was vibrating, it was shaking indicating to me
14 that there was the potential for pulsation downstream of that
15 control valve.

16 Following that we attempted to secure some
17 consulting services from an outside consultant to help us
18 analyze as to whether or not there was inaccurate measurement
19 at that station. The specific instrument or the specific
20 test that we were looking for is known as a square root error
21 or an SRE test. And as I find out the equipment to do that
22 is very specific not just to the pipeline industry, but to
23 the gas pipeline industry and ended up finding that Panhandle
24 Eastern had such a piece of equipment and a technician and
25 were willing to assist us in evaluating the accuracy of that

00096
1 measurement station since they were the pipeline on the other
2 side of the meter. Which we did in spring of 2005, the
3 results of which we believe led us to believe that there was
4 some pulsation occurring at that meter station and, therefore
5 required, us to do something to get to more accurate
6 measurement.

7 I would suggest in these cases there's no --
8 generally not necessarily any guarantee that that will lead
9 to higher or lower volume of measurement, just more accurate
10 measurement because pulsation can affect orifice measurement
11 either way.

12 Following that testing and the analysis we -- I
13 decided to order a new control valve. There are two flow
14 runs at that station. I made the choice to order one new
15 control valve to see what kind of an impact that would have
16 on the overall process. We ordered that valve.

17 They're very expensive; it's a large valve and it
18 took four or five months to be delivered. We got it, we
19 received it and installed it in I'm going to say July, August
20 -- maybe a little later; I'm not sure -- which required some
21 repiping because in the process of putting in the new control
22 valve we also took out the bypass around the control valve
23 and it was the bypass that was vibrating or shaking and we
24 wanted to eliminate that as well.

25 So following the installation of that we began to
00097
1 do some testing relative to both high volumes low
2 differentials, lower volumes higher differentials to the
3 extent that we could change the flow conditions on the
4 downstream pipeline. Obviously Panhandle has little control

over changing their upstream flowing conditions. So we worked on our side trying to assess as to whether or not this change in facilities or change in control valve would have a significant impact on the amounts of fuel lost and unaccounted for. We did that over several months.

As a result of that concluded that we did have a significant impact. In January ordered a second control valve to replace on the second meter run. That control valve was installed I believe in early April and we are now back in a situation where we have two new control valves and we operate normally during that process at that control station.

Since that time obviously what we're doing here is from a physical standpoint trying to monitor what the actual fuel lost and unaccounted for volume is. Indications are right now that we have reduced the amount of fuel lost and unaccounted for, but it's from April, May and June. It's less than .43 percent, but in my viewpoint still too early to say what a new percentage would be. I'm hoping that it's less than what it has been for that first three months.

Q You get this reimbursed from your customers through

contract; is that correct?

A We get it through the contracting process. Each contract has the allowed fuel reimbursement specified in the individual agreements. **

**

Q **

A **

Q Mr. Ries, it sounds like you went to an enormous amount of work. Why was this important to you?

A Because it has to do with the cost of the service that I provide in these pipelines. Certainly the cost of fuel is an embedded part of the process and if it is something that adds cost to the customers, it is the same as if they were paying me money from their standpoint in terms of cost of the service that I provide. To the extent that it's not a real number, it's an actual loss, in this case I would suggest that it was a real loss because from the books and records of the company it was truly a loss in volume, but

from the standpoint of the customers it was a cost of doing business on the pipeline and has to do with the competitiveness of the services that I provide.

Q But you're very competitive, correct?

A I would say clearly from an industry standpoint the rates on these pipelines are high.

Q I should say in comparison to propane?

A In comparison to alternative fuels we're very competitive. Nonetheless, I did spend a considerable amount of money replacing these two control valves for the sole purpose of trying to reduce the amount of fuel lost and unaccounted for on the system.

Q Was it the engineering challenge that interested you?

A Well, I think it was more of a matter of making

NP

16 sure that it's all being done correctly.
17 Q And you said Ryan was the engineer that you hired.
18 Is that your son Ryan; is that correct?

19 A That's correct.

20 Q We got a little off track from our employees, but
21 that was very interesting. Thank you.

22 Let's go back to we've talked about Patty, right.
23 Yvette Korb; what does Yvette do?

24 A Yvette is a VP, officer of the company. Has
25 responsibilities for human resources, all insurance, all
00100

1 employee benefits, all employee related programs. She also
2 supervises the person in the Shawnee office. She's the lead
3 person in the Shawnee office and coordinates her job duties
4 from there.

5 Q Does she work for anyone besides MPC, MGC, MIG and
6 Omega?

7 A I do not believe that she's employed by anyone else
8 other than those companies.

9 Q She had worked for the Kansas pipelines that Mr.
10 Langley had owned; is that correct?

11 A I believe that is part of her background, yes.

12 Q So she did have prior work experience with a
13 regulated gas utility company?

14 A That's correct.

15 Q Do you know if she performed the same kinds of
16 duties?

17 A I do not know what duties she performed
18 previously.

19 Q Is she familiar with the Commission rules; do you
20 know?

21 A I don't know.

22 Q Which of your employees would be familiar with the
23 Commission rules?

24 A Are you talking about a specific rule or all rules?

25 Q I'm talking about all of the Commission rules as a
00101

1 regulated company familiar with the rules?

2 A Well, I think certainly all of the fuel employees
3 have knowledge certainly of all of the safety rules, operator
4 qualification, safety procedures, O&M procedures, emergency
5 response procedures all of which are responsive to Missouri
6 Public Service Commission rules.

7 Q Have they met with our gas safety personnel?

8 A We have the luxury of being audited by your safety
9 personnel annually.

10 Q Are you using the term luxury loosely?

11 A We certainly have the opportunity to meet with them
12 more than we do with DOT.

13 Q We pride ourselves on the quality of our safety
14 staff, so --

15 A And I would say for the most part they do a very
16 thorough job.

17 Q Back to Yvette. Is she an officer in any of these
18 companies?

19 A Yes, she is.

20 Q And what is she?

21 A She's vice-president.

22 Q Of all of them that you know of?

23 A Yes.

24 Q She was of Omega, but is no longer?

25 A That's true; she resigned.
00102

1 Q Is she a CPA or does she have any designations?
2 A Not that I'm aware of.
3 Q Have you described her job functions do you believe
4 thoroughly or do you have anything to add?
5 A I don't -- she coordinates all of the insurance,
6 whether it's vehicle, liability, worker's comp, any worker's
7 comp claims. I can't think of anything else right now.
8 Q How are the expenses associated with Yvette,
9 payroll and other expenses, allocated among the companies?
10 A She is an employee of the company and her expenses
11 are allocated based on the general allocation procedures used
12 for general expenses, which had historically been done by
13 volumetric through put and has now been changed to miles of
14 pipe, but it's generally an allocation amongst all three
15 pipelines.
16 Q By length of pipe?
17 A Yes.
18 Q Do you know if Yvette does any work for the
19 Management Resources Group that we had discussed that's
20 listed at the top of the page?
21 A I can imagine that from time to time she does
22 something for them, but I don't know what. My concern is
23 relative to the services that she provides to the pipeline.
24 Q Do you know what other title she may have with any
25 other companies? Gateway?

00103

1 A Well, she's an officer of Gateway, I believe she's
2 an officer of MOGas.
3 Q What about other companies like DND?
4 A I would expect that she's an officer of DND.
5 Q E3?
6 A She may be. I don't know.
7 Q Do you know if she does work for those?
8 A I don't know.
9 Q John Lincoln, what is his job?
10 A Mr. Lincoln is a meter technician. Primary
11 responsibilities are to provide measurement accuracy, meter
12 calibration, instrumentation, repair work. When he's not
13 doing that, he provides what I generally refer to as pipeline
14 technician. Does pipeline locations based on Missouri One
15 Call requirements, does some maintenance work, can get in a
16 variety of -- he does the -- I mean his primary
17 responsibility is for measurement accuracy, obviously was
18 involved with the control valve replacement that we worked on
19 or talked about at Panhandle. But he's a full-time
20 technician on the pipeline.
21 Q Did he do work for Omega before it was sold?
22 A No.
23 Q What about MIG; does he do work for MIG?
24 A Yes.
25 Q And in the pipelines?

00104

1 A Although I would say MIG does not have any meters,
2 so to the extent that there was a pipeline locate or
3 something of that nature that needed to be done, he would
4 also do that.
5 Q Did he report to Dave Wallen?
6 A Yes, he did. Or excuse me. Yes, he does.
7 Q Is he a principal in any of the business?
8 A No.
9 Q I think we've gone through your responsibilities.
10 Are you a principal in any businesses other than these
11 entities like E3 and DND?

12 A I am I think I said previously a stockholder in DND
13 and an officer. But not E3, not Management Resources
14 Group.

15 Q Mr. Lodholz reported to you?

16 A Yes, he did.

17 Q John Mittelhauser, M-i-t-t-e-l-h-a-u-s-e-r, what's
18 his job?

19 A John's primary responsibility was that of a
20 construction coordinator.

21 Q When you say that, what types of projects would he
22 coordinate?

23 A Well, any time that we needed to have modifications
24 done to the pipeline, John was the principal person to
25 coordinate that in terms of scoping the work, coordinating
00105

1 with outside agencies or land owners or in many cases
2 ordering materials, coordinating contractors.

3 Depending on the scope and the size of the project
4 occasionally he would do -- we would use third party
5 contractors to perform major maintenance work; you know,
6 excavating the pipeline to do coating inspection or coating
7 repairs or something like that John would get involved with.
8 But that was his role.

9 Q And that's currently his role?

10 A In the middle of 20 --

11 MS. SHEMWELL: Let me interrupt you just a minute.
12 He's using the term coating c-o-a-t-i-n-g.

13 Q (By Ms. Shemwell) I'm sorry. In the middle of
14 2004?

15 A **
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17 _____
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00106
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8 **

9 So he did do a couple of projects in the third
10 quarter of 2004. Excuse me. I'm a year off. I did that in
11 the middle of 2005. This is dated 2004 and that's why I was
12 thinking 2004. He was transferred as a part-time employee in
13 2005, did do some projects in the third quarter of 2005,
14 maybe even extended into fourth quarter, has been back this
15 year to work on a couple of projects. I expect to use him
16 for a month or two this year yet; August, September, and
17 October time frame to work on some projects. But other than
18 that he's been working for other companies.

19 Q What kind of construction projects does MPC have or
20 any of the entities that he would be working on?

21 A Well, last year we had two relocation projects.
22 One was a forced relocation because of a highway widening

NP

23 project. The other was a relocation project that we were
24 reimbursed for by a land owner who wanted to develop a parcel
25 of ground where our pipeline was located for residential lots

00107

1 and chose at the end of an extensive review to reimburse us
2 for relocating the pipeline so they could develop the
3 property the way he wanted to. And we relocated the pipeline
4 and were reimbursed for it.

5 Q Was that the guy with the rock business?

6 A The rock?

7 Q He paved over some of your --

8 A Oh, no, no. That's a different guy. This was, you
9 know, it was about a hundred -- it was a fairly -- it was
10 quarter of a section piece of ground down by Washington.

11 You're specifically referring to I think Gaines
12 Construction; is that right?

13 Q Yes.

14 A No, that was a different issue. I mean that's --
15 we have yet to resolve that. Mr. Gaines chose to, despite
16 our request and letters to cease and desist, chose to remove
17 cover off the pipeline and pour a parking lot on top of our
18 pipeline, which we are currently anticipating having a
19 discussion before a judge as to whether or not that was
20 something that he was supposed to do.

21 Q Okay. I don't want to ask you too much about that
22 since you're going to litigation or in litigation.

23 A We are in litigation.

24 Q Was it in his right of way or did you have right of
25 way there?

00108

1 A We have permanent right of way that limits,
2 restricts what can be done within that right of way. That
3 was pointed out to him. He chose to ignore it, said he
4 wasn't aware of it when acquired the property and wasn't
5 about to be stopped, so --

6 Q So he went in with concrete instead of just doing
7 gravel or whatever?

8 A Yeah.

9 Q Was the first project the Highway 72 project?

10 A Yes.

11 Q And he also did the construction of the pipe to
12 Willard; is that correct? John was in charge of that?

13 A John was also responsible for that project, yes.

14 Q What does he do for Omega or did he do for Omega?

15 A Well, from time to time he would provide some
16 support to the employees on Fort Leonard Wood. John was good
17 at cost estimating projects. For the most part John was, his
18 primary role was on the pipelines. I believe -- I actually
19 believe in the first year that we owned the company John
20 was -- I thought he was even an employee of Omega because we
21 had quite of bit of work going on on the Fort. They were in
22 the process of installing some new facilities there and just
23 finishing those up. But there hasn't been a lot of -- there
24 hasn't been much of any construction work on the Fort for a
25 few years now.

00109

1 Q How do you allocate his costs, payroll and
2 expenses? I'm assuming he's one with a vehicle?

3 A He's with a vehicle. Like I said, I think in 2002
4 he was an Omega employee. When that work ran out he was
5 transferred to the pipeline because we had construction work
6 that we needed done on the pipe and at that point in time his
7 costs were charged directly to the pipeline and would have

8 been allocated as a general cost the same way as we've talked
9 about in terms of allocation of based on through put or mile
10 of pipe.

11 Q Mike Mertz has replaced David Lodholz; is that
12 correct?

13 A That's true.

14 Q And it's spelled M-e-r-t-z, Michael Mertz?

15 A Yes.

16 Q Did you hire him?

17 A Yes, I did.

18 Q What is his background and experience?

19 A He does not have regulatory accounting experience.
20 He has had previous experience in the energy industry. He is
21 a CPA and has done public accounting work and spent several
22 years with I would call a liquids pipeline company.

23 Q What does that mean?

24 A A liquid company. They were a fuel jobber, provide
25 oil and gasoline and diesel fuel.

00110

1 Q Do you know if Mr. Mertz is familiar with the
2 Missouri Commission rules and I'm thinking in this case
3 specifically of affiliate transactions?

4 A I have suggested to him that he needed to
5 familiarize himself with the Commissions rules and
6 regulations on all accounting activities. I don't know if he
7 has looked at anything on affiliated transactions.

8 Q Would he keep records to separate costs for
9 affiliates or keep track of affiliate costs; is that part of
10 his responsibility?

11 A Well, it is part of his responsibility. I would
12 say -- I just will say this now because you're going to
13 eventually get to it anyway. Once we got into the
14 investigation by staff and some expressed concerns about
15 whether or not we were doing the proper type of allocation,
16 because I was being asked for allocation processes and
17 procedures and percentages, I actually asked staff some
18 questions about our processes and procedures and getting no
19 response chose to hire an outside consulting firm which we
20 did hire to assist with reviewing our accounting process and
21 procedures specifically looking at our Form 2 annual reports
22 opining as to whether or not there was anything there that we
23 were doing that was incorrect or should be changed.

24 As a result of that they did make some
25 recommendations to do some changing and ultimately resulted

00111

1 in the company submitting some revised Form 2-As for the
2 previous years.

3 Q And those are FERC Form 2 and 2-A, right?

4 A Yes.

5 Q FERC forms?

6 A They're FERC forms, but those are the forms that
7 were required by the Missouri Public Service Commission.

8 Q And you file those as your annual report to the
9 Commission; is that correct?

10 A That's true.

11 Q We may come back to that a little later, but thank
12 you for pointing that out.

13 Who did you hire?

14 A The consulting firm?

15 Q Yes.

16 A Was Brown, Williams, Morehead and Quinn.

17 Q And who specifically did you work with?

18 A Well, there were more than one individual there.

19 Brown Williams has for the most part a staff of people that
20 specialized in FERC accounting and have extensive experience
21 with doing counseling at the FERC level entities. The
22 primary principal that I worked with was Al Lovinger I
23 believe B.J. referred to a Tom McLaughlin who did the field
24 work for them. There were two or three other people inside
25 of Brown Williams that participated in that review process.

00112

1 Q So have you changed your allocation procedures as a
2 result of this review?

3 A Actually, their assessment was that our allocation
4 procedures were just fine.

5 Q By mile of pipe?

6 A They thought mile of pipe was a perfectly
7 acceptable process and procedure for allocating general or
8 overhead costs.

9 Q And is that when you made the switch from through
10 put?

11 A Actually, we made the switch for calendar year 2005
12 and had previously done it based on volumetric through put.

13 Q Did you get a report from Brown Williams?

14 A No.

15 Q Written recommendations?

16 A I can't say I received written recommendations. We
17 received their recommendations, discussed on the phone what
18 they thought we ought to do, what kind of actions we should
19 take. A good deal of this was hands on wherein Tom
20 McLaughlin sat down with Mr. Lodholz and Mr. Mertz because it
21 was during a period of time where we were making the change
22 and the suggested changes were done on a hands on basis by
23 Mr. McLaughlin. And we would review what changes that they
24 were proposing and how that would be incorporated into the
25 recordkeeping process.

00113

1 Q When you say done on a hands on basis, what does
2 that mean?

3 A Well, Mr. McLaughlin sat down with Mr. Mertz and
4 said, you know, show me what you've been doing, how you've
5 been doing it. And then said, well, I think you're here's
6 some changes that you ought to make to do this differently.
7 Put certain costs in different account codes, made
8 recommendations as to whether or not all of the costs were
9 being allocated to the appropriate accounting code.

10 Obviously you're aware that FERC's got its own
11 separate chart of accounts. Those were the kinds of things
12 that they were going through. And I understand, although I
13 mean I certainly didn't review in detail what those were,
14 that at the end of the day Brown Williams was then
15 comfortable that we were currently doing it per what they
16 considered the appropriate accounting procedures.

17 Q You said Mr. Mertz is a CPA?

18 A Yes.

19 Q In Missouri?

20 A I believe so.

21 Q What other job functions other than replacing B.J.
22 might he be doing? Anything B.J. wasn't doing that he's
23 taken over?

24 A Well, you know, Mike has been there for roughly
25 three, maybe four months now, so he's still coming up to

00114

1 speed still taking on job responsibilities. I would say he
2 is currently doing everything that B.J. was doing plus some
3 and taking on more responsibilities.

4 Q So what's the plus; what are those?

5 A You know, in terms of some of the internal
6 reporting processes, I had been involved much more on a
7 quarterly basis in doing the reporting to the banks. Mike is
8 starting to take on those responsibilities; as a matter of
9 fact, just did it for the month of July. I think just this
10 past week I went through with him yesterday doing the reports
11 to the Public Service Commission.

12 Q What reports are those?

13 A Oh, it's the quarterly reports that we're required
14 to do per reporting discounts.

15 Q Okay. And he'll take on the annual report
16 responsibilities as well?

17 A Yes.

18 Q So when Brown Williams came in, what records would
19 they have looked at to make a determination as to the account
20 code changes that you would be making?

21 A Well, again, I don't know specifically what they
22 looked at. Obviously they had copies of all of our audited
23 financial statements, they had copies of all of the annual
24 reports and they had access through Mr. Lodholz and Mr. Mertz
25 the general ledgers and all of the capital accounts and cost
00115 accounting and expenses and revenues and the bank documents.

2 Q Contracts?

3 A I wouldn't know why they would look at contracts.

4 Q I'm sorry. I interrupted you and didn't intend to.
5 Were there other things you were going to say?

6 A Well, all I was trying to do is define for you what
7 I thought they would have looked at when they did that
8 review. I mean all of the general accounting. I mean it was
9 not related to business activities; it's related to cost
10 accounting and whether or not expenses are reported and
11 tracked and kept track of per the requirements that are used
12 in FERC.

13 Q I'm not an accountant. I'd like to take an
14 example. Let's say they were looking at payroll and we
15 looked at some things that had invoices and payments that I
16 understood was the accounts receivable. Is that your
17 understanding when we were talking to B.J.? What I'm trying
18 to get to is it had an account number at the upper left-hand
19 corner. I believe one was 415. Of the general ledger, I'm
20 sorry. It would have certain account numbers and things
21 listed below that. Are those the accounts that they looked
22 at?

23 A I can't -- again, I can't specifically say what it
24 is they looked at because I wasn't there. Obviously they had
25 full access to whatever accounting records that they needed
00116

1 to look at to complete their review. Their charge was from
2 me, not from Mr. Lodholz or Mr. Mertz. It was from me to
3 look at what the companies were doing from a cost accounting
4 cost reporting and to make determination or to help us do --
5 if there were any deficiencies identified to do what it is we
6 needed to do to bring our records and record keeping into
7 compliance.

8 Q Had you not realized that you weren't in
9 compliance?

10 A No. Before this audit, no.

11 Q Were you in compliance with or would you have been
12 in compliance with the FERC standards of conduct; do you
13 know?

14 A Well, you just made a switch there.

15 Q I did make a switch.

16 A I was talking about accounting records and you went
17 to standards of conduct.

18 Q We've been talking about affiliate transactions and
19 it kind of led into this FERC Form 2 amendment and how
20 accounts are separated.

21 A Okay.

22 Q So I am making a switch.

23 A I would say as far as I was concerned the companies
24 were in compliance with FERC standards of conduct.

25 Q And when Brown Williams came in, did they have
00117

1 copies of the Commission's affiliate rules?

2 A I don't know if they specifically looked at those
3 or not.

4 Q But they did look at affiliate transactions?

5 A Again, they didn't look at business transactions;
6 they looked at accounting transactions.

7 Q Okay, okay. And would they look at what would be
8 qualified in terms of plant in service?

9 A They did look at plant in service, yes.

10 Q I can't remember if it's Panhandle Eastern or MRT,
11 but do you recall our discussion of a ** _____ ** amount? If
12 the through put wasn't sufficient, you were going to pay one
13 of your interstate pipeline suppliers a certain amount; do
14 you remember our discussion about that?

15 A I believe our discussion involved ** _____ **.

16 Q That's correct.

17 A Yes.

18 Q It was almost ** _____ **; I kept referring to
19 it that way.

20 A Yes, yes.

21 Q Do you know how that was recorded in the books?

22 A If you remember in looking at that agreement the
23 look back period did not start until this year.

24 Q Okay.

25 A So, therefore, there would not be a liability
00118

1 associated with that agreement because there was no liability
2 associated with it until the look back period was
3 completed.

4 Q Is the look back period completed?

5 A ** _____

6 _____

7 _____ **

8 Q So how is that classified now? Because it is a
9 current liability, correct?

10 A ** _____

11 _____

12 _____

13 _____

14 _____

15 _____ **

16 Q So is there nothing recorded on your books at this
17 point?

18 A I would suggest that there's probably nothing
19 recorded on the books now.

20 Q It's not a contingent liability, huh?

21 A Well, I mean it was a liability that was for all
22 practical purposes just incurred.

23 Q It was contingent upon this date?

24 A Yeah. And it was contingent upon an analysis of
25 what was contained in the agreement and whether or not within

NP

00119

1 that analysis there was actually a deficiency in the amount
2 of transportation revenues that MRT or CenterPoint Energy Gas
3 Transmission would receive in association with making that
4 expense to put in that interconnect.

5 Q And I had moved to that topic a little out of order
6 because I wanted to ask you did Brown and Williams make
7 recommendations on that?

8 A No.

9 Q Will they make recommendations on that?

10 A I don't know why they would.

11 Q In terms of how it's recorded or where it's
12 recorded for accounting purposes?

13 A Well, again, given the fact that it's just a
14 liability that --

15 Q Right.

16 A **

17 _____
18 _____
19 _____
20 _____
21 _____
22 _____
23 _____ **

24 Q And will your customers be charged if there is a
25 payment made?

00120

1 A Well, they certainly wouldn't be charged until
2 there was some kind of a rate making proceeding associated
3 with the cost of service associated with utilizing those
4 facilities.

5 Q Who will pay that in the meantime?

6 A Well, it becomes an asset on the books of the
7 company.

8 Q ** _____
9 _____
10 _____ **

11 A ** _____
12 _____
13 _____ **
14 Q ** _____ **
15 A ** _____
16 _____ **

17 Q Have we discussed Preston? I don't think so. I
18 think we're just up to Preston. What does he do?

19 A Okay. Preston I would generally refer to as an IT
20 person. Maintains all of the computer equipment, software
21 certainly in the Shawnee office and the St. Peters office.
22 We have employees who are remote from those locations that
23 use laptops that depend upon those laptops to perform their
24 functions, specifically meter technicians. Preston has
25 responsibility for maintaining, ordering that equipment if we

00121

1 want to buy something new. He also has responsibility for
2 software, software consulting.

3 He provides oversight and maintenance of the
4 central file server that we use for our email system, which
5 is located in the Shawnee office. The central file server
6 system is there; it provides back up and support and repair
7 and whatever needs to be done to maintain a fairly efficient
8 computerized operation.

9 Q Does he provide services for R2?

10 A Certainly have been times where I have called on

NP

11 Preston to help me with software issues.

12 Q Because you're connected through R2 to their
13 systems; is that right?

14 A Well, I wouldn't -- connected is kind of a vague
15 term. Obviously in my viewpoint via the internet we're all
16 connected.

17 Q You have security to get into the books and records
18 of MPC and MGC?

19 A I do not.

20 Q You don't? --

21 A I do not.

22 Q -- through your computer --

23 A No.

24 Q -- have access to their records? But when you come
25 to St. Peters address?

00122

1 A Again, I am like you; I'm not an accountant and I'm
2 not sure that Mr. Lodholz ever trusted me to have access to
3 his set of QuikBooks and I certainly have a lot more
4 confidence in them to provide that oversight than I do of
5 myself.

6 Q What about Ryan accessing the system?

7 A He does not.

8 Q Do either of you communicate with the field people
9 through the computer system?

10 A Clearly we email each other a lot.

11 Q Preston is located up in the --

12 A Shawnee office.

13 Q Shawnee office. Does he do any work for Management
14 Resources Group or DND?

15 A Again, I'm not his direct supervisor. Obviously
16 DND would have no reason to utilize Preston because I mean
17 DND has no employees.

18 Q But Management Resources maybe?

19 A He may from time to time do something for
20 Management Resources; I don't know that.

21 Q Did you say Yvette was his direct supervisor?

22 A That's true.

23 Q Is he allocated among the companies the same way
24 everyone else is?

25 A He is.

00123

1 Q Does he provide, however, greater service for one
2 of the companies because they have more computer equipment?

3 A Again, the cost associated with all of the SCADA
4 system, central computers, the software are all paid for from
5 a single checking account which has Missouri Pipeline on it.
6 Those costs that are determined as being general costs are
7 then allocated to all three companies. So to say that to the
8 extent that Missouri Pipeline has the most through put or the
9 most miles, either way, would say that Missouri Pipeline pays
10 a greater share of those costs than the other two pipeline
11 companies.

12 Q Is there some reason a couple of the employees are
13 out of the Shawnee office instead of out of the St. Peters
14 office?

15 A Is there a reason?

16 Q Other than --

17 A Other than it costs money to move people or that
18 that's where the people are located or that's where they
19 live, I would say, no, there's no overriding reason.

20 Q Mr. Wallen?

21 A Yes.

22 Q Did you hire him?
23 A No.
24 Q He came to you from the prior company?
25 A Dave Wallen has been an employee of the pipeline
00124
1 since 1989.
2 Q He is your operations guy; is that correct?
3 A He is.
4 Q And would you say more about what his job duties
5 are, please?
6 A He has the primary responsibility for making sure
7 that the facilities are operated in conformance with all of
8 the safety codes and standards. He performs or makes
9 assurance that we follow all of the prescriptive rules and
10 regulations of both the DOT in the case of MIG or the
11 Missouri Public Service Commission in the case of MPG and
12 MPC. Has overall responsible for maintaining pipeline
13 integrity, protecting the asset from an operational
14 standpoint, making sure people don't dig into it, that it's
15 operated correctly. Obviously, as I said earlier, he was
16 involved in the investigation when we were looking for lost
17 and unaccounted for variances; certainly something that Dave
18 had been involved with and aware of and concerned about since
19 1989.
20 So, yes, he supervises the field employees to the
21 extent that the measurement techs, meter techs are given
22 assignment and tasks and general job responsibilities and
23 protecting the assets of the company.
24 Q Do you provide the safety service and so on that
25 you've described also for the ** _____ ** line, marking of the

00125
1 lines if somebody is digging and that sort of thing?
2 A I believe you asked me before. The, quote, ** _____ **
3 line is an asset of MOGas Company, so yes that is an asset of
4 the company.
5 Q I was really asking if you provided the same sorts
6 of services that you described of Mr. Wallen in terms of
7 making sure that pipe is marked if someone wants to dig and
8 testing for leaks and all of that sort of thing?
9 A Again, it's an asset of the company and Dave's
10 responsibility is to protect the assets of the company, so
11 yes.
12 Q We have Robert Wilcox?
13 A Mr. Wilcox is similar to J.J. Lincoln in that he's
14 primarily a measurement technician. His primary
15 responsibility is for the south end of the system. He's one
16 of those employees that is located remote from the St. Peters
17 office, but take cares of all the metering facilities,
18 measurement facilities and when he's not doing that does
19 pipeline maintenance activities for the south end of the
20 system. And generally south end of system I mean those
21 assets below the Missouri River.
22 Q How long has he been with you?
23 A Well, I did not hire him. He's been with the
24 company since the early nineties.
25 Q I'm going to ask that this map be marked three.

00126
1 And when you say below -- you said below the Missouri River,
2 right?
3 A Uh-huh.
4 Q So could you point out to me what area you're
5 talking about, please?
6 A This is the Missouri river right here, so you're

NP

7 talking about all the points south, say from the City of
8 Washington south.

9 Q Okay. You said he worked remotely. Where does he
10 have an office?

11 A Excuse me?

12 Q Does he have an office?

13 A No.

14 Q Mr. Wilcox; you said he worked remotely from the
15 St. Peters office?

16 A No, he works out of his house. He lives in Rolla,
17 Missouri.

18 Q Is he an engineer?

19 A No.

20 Q Is he allocated in the same way as the other
21 employees that we've discussed earlier?

22 A I believe he is.

23 Q How are the rents for St. Peters allocated?

24 A The same way we've been discussing. They're
25 considered a general overhead cost and there to support all

00127

1 three of the pipeline companies.

2 Q Is that true of the Shawnee address?

3 A That's true.

4 Q Allocated in the same way?

5 A Yes.

6 Q Do you pay a hundred percent of the Shawnee -- do
7 the pipelines pay a hundred percent of that rent?

8 A Of the rent, yes.

9 Q Utilities?

10 A I think the utilities are included in the rent.

11 Q Do they have that whole building?

12 A No.

13 Q So they're a single tenant in a multi-tenant
14 building?

15 A Yes.

16 MS. SHEMWELL: I think this seems a good time for a
17 break. We'll go off the record.

18 (Whereupon there was a brief recess).

19 MS. SHEMWELL: Let's go back on the record.

20 Q (By Ms. Shemwell) I have one question about John
21 Lincoln. Where is his office or does he have an office?

22 A Lincoln is based out of St. Peters.

23 Q And you call him J.J., right?

24 A He's referred to as J.J.

25 Q We talked about Mr. Wallen's responsibilities.

00128

1 Does MGC follow the FERC criteria for classifying work as
2 repairs, maintenance in terms of which category or account it
3 goes into?

4 A Dave Wallen's in charge of operations; doesn't do
5 classification of cost.

6 Q How would the people that do that know then if he
7 doesn't say, okay, this is maintenance, this was capital
8 improvement?

9 A Generally we assign project numbers. Many people
10 would call those work order numbers; we just call them
11 project numbers. When we're doing projects and that would be
12 specific activities, we'll classify those costs, track those
13 costs, by a project number. Projects numbers are applied to
14 all invoices, are reviewed by whoever is responsible for that
15 specific project. Generally if it's a construction project,
16 that's John Mittelhauser.

17 But at the end of the year the auditing firm will

18 review those costs with the controller and from time to time
19 they ask me questions about the specifics of those projects
20 in terms of what they involved and what the proper
21 classification of those costs would be.

22 Q And your outside auditor for the last several years
23 has been Rubin Brown; is that correct?

24 A Well, Rubin Brown is correct. They changed their
25 name to Rubin Brown. It was Rubin Brown Gorenstein before
00129 1 last year or RBG.

2 Q Let's just refer to them as Rubin Brown if that's
3 all right with you.

4 A That's fine.

5 Q It comes up later. Who receives and reviews copies
6 of MPC's financial statements?

7 A Well, I typically review them on a monthly basis
8 just to be able to see more of the detail and be able to
9 identify if there's anything that I see that's out of the
10 ordinary. They're accumulated and distributed quarterly and
11 they're distributed to the lending banks, equity holders and
12 the Missouri Public Service Commission.

13 Q Who are the lending banks besides Hudson?

14 A Hudson United and CoBank are the two lending banks
15 for the Gateway senior secured loan.

16 Q Would you tell the court reporter how to write
17 CoBank for the record.

18 A It's C-o-B-a-n-k, one word.

19 Q Thank you. What other entities issue financial
20 statements? Does MGC?

21 A Yes, and essentially the same process. MPC, MGC
22 and MIG all do monthlies and then those are consolidated up
23 to Gateway on both a consolidated and unconsolidated basis
24 and then consolidated for purposes of incorporating the cost
25 of the debt at the Gateway level.

00130 1 Q You said earlier though Gateway doesn't have any
2 employees, right?

3 A Right.

4 Q So who reviews at that level? Who would review the
5 statements at the Gateway level?

6 A Well, it's the same process. There are no
7 employees, there are no assets. Gateway is nothing more than
8 the consolidation of the three operating companies.

9 Q So the banks would review the consolidated
10 financial statements?

11 A Certainly the banks' interest in their debt and the
12 obligations are held at the Gateway level. But their
13 interest -- and Gateway pledges the income from the three
14 operating companies as their source of revenue; Gateway in
15 itself does not have its own revenue stream.

16 Q Do any of these revenues go directly to Hudson
17 United? Like MPC's revenue, do they go directly to Hudson
18 United?

19 A Through a procedure that's outlined in the senior
20 secured loan documents there is a cash handling procedure
21 wherein the three operating companies collect the revenues
22 associated with their operations into a bank account and that
23 bank account is automatically swept to a revenue account that
24 is held at the Hudson United Bank and is the revenue account
25 associated in the name of Gateway Pipeline Company.

00131 1 The proceeds of that account then flow through a
2 series of accounts which we generally refer to as a waterfall

3 to satisfy various obligations that are identified under the
4 terms of that senior secured loan document and are outlined
5 in that loan document to pay principal and interest, to
6 maintain certain reserve levels, to provide reimbursement to
7 the pipeline companies for operating expenses in accordance
8 with their annual budgets, to provide funding if identified
9 and if authorized for capital expenditures, to provide
10 disbursements out of the debt reserve accounts and the
11 capital expansion reserve accounts if necessary. And then
12 whatever is left at the end of that process is then
13 distributed.

14 Q To?

15 A On a quarterly basis it's then distributed to
16 MOGas.

17 Q More often than not is there something distributed
18 to MOGas at the end of the waterfall?

19 A Yes, there is.

20 Q And can you say how much that is?

21 A Well, it's a couple million dollars a year.

22 Q And did the bank insist on this process as part of
23 the loan agreement?

24 A Yes.

25 Q I don't know the terms, but does MPC receive then
00132

1 what is essentially an allowance based upon what they're
2 expecting their expenses to be?

3 A They receive a monthly -- their budgeted operating
4 costs for the succeeding month. In other words, for the end
5 of June they will receive a wire transfer to MPC's operating
6 account for MPC's expected operating costs for the month of
7 July.

8 Q And who reconciles that at the end of the month?
9 The bank or the company or --

10 A Well, what's being distributed there is a budget,
11 so there's no reconciliation of whether the budget was exact.
12 The reporting at the end of the year is done on an annualized
13 basis and is part of the annual outside audited financial
14 statements.

15 Q So what do they do if there's shortfall in a
16 particular month because they've had some unusual expense?

17 A Blame the budgeter.

18 Q Who is?

19 A Me.

20 Q How do they get the money then? Do they look to
21 you to write a check or --

22 A Fortunately I can say so far that has not been the
23 case.

24 Q Same process for MGC?

25 A Yes.

00133

1 Q What about MIG?

2 A Yes.

3 Q What about Omega before you sold it?

4 A No.

5 Q So the funds from Omega don't go to Hudson bank and
6 to go through this -- didn't go through Hudson Bank and go
7 through this process?

8 A No.

9 Q Did Omega go to CoBank?

10 A No.

11 Q Who?

12 A In regard to this process that we're talking about
13 here there was no intermingling between Mowood, who was the

14 parent of Omega, and Gateway. There is no intermingling of
15 assets, there's no intermingling of revenues, there's no
16 intermingling of expenses.

17 Q So when revenues come in from Omega, do they go to
18 the bank similarly to this process, but a different bank?

19 A Omega has its own accounts, has its own bank
20 accounts.

21 Q And does it have loans in the same way that MPC has
22 loans, similar senior secured debt, whatever?

23 A Again, we're now getting to a point where you're
24 talking about the business of Omega, which I don't feel
25 comfortable talking about without legal representation

00134

1 here.

2 Q So what part -- are you willing to say who their
3 banks are or what are you willing to say about this?

4 A Well, Omega clearly has separate and distinct bank
5 accounts separate from any of the operating companies from
6 Gateway, from MOGas, from Hudson United, from CoBank.

7 Q So let's say Department of Defense writes a check;
8 do they write it to Omega?

9 A Yes.

10 Q Did they write it to Omega. Then it would flow
11 into one of their separate accounts?

12 A Right.

13 Q And we have seen the name of that bank on some
14 invoices, correct, for Omega? It was separate from Unitd
15 Missouri Bank where we've seen some of those invoices they
16 wire transferred to was it Commercial? We can get to that in
17 a minute.

18 A You can probably expect what my answer will be when
19 we get there.

20 Q We'll look at the invoices. --

21 A Okay.

22 Q -- and see what you are willing to say about it.

23 Is there anything else about Omega's -- well, let
24 me as you this. Did you budget for Omega? Were you the one
25 who did the budget?

00135

1 A I didn't do a budget for Omega.

2 Q How come?

3 A Didn't need to.

4 Q Because you knew what the expenses were or why?

5 A Didn't need to.

6 Q Okay. So you don't need to do a budget for Omega
7 because they have unlimited resources as the DOD or --

8 A They're not required to. They did not have a third
9 party or an outside party that required them to do a budget
10 and was fairly limited in the scope of its operation and I
11 don't like doing things that are just a waste of time.

12 Q Sure. When you say they don't have a third party
13 lender or a third party, would that be, for example, the
14 lenders that would be a third party that would require a
15 budget?

16 A As we talked about with the cash flows from the
17 pipelines, the reason for the budgeting process is that it's
18 a requirement of the senior secured loan.

19 Q So the lenders required that?

20 A (Witness nodded).

21 Q Who signed the senior secured loan for the
22 pipelines?

23 A I did.

24 Q Do you remember when that was? If you don't, we

25 can get out some documents later.

00136

1 A Well, I think we said this morning that the
2 transaction was effective at the first day of 2002, the
3 closing actually occurred later in the month of January of
4 2002, but was effective retroactive back to the first day of
5 the year. That was completed with an interim loan process
6 that was funded by UtiliCorp and others. And the final
7 senior secured loan was placed in service and executed in
8 late March of 2002.

9 Q I'm going to return to Omega. Who paid the bills
10 on behalf of the Department of Defense? Did you get it
11 from -- where did you get a check from when you were paying
12 for the services for the distribution system there? Did they
13 write a monthly check to Omega, did they write a quarterly
14 check?

15 A Again, you're talking about the business of Omega
16 Pipeline Company and I don't feel comfortable talking about
17 that.

18 Q Okay. Did MPC receive checks from Omega?

19 A Yes.

20 Q Or wire transfers?

21 A Wire transfers. Typically Omega paid their bills
22 to the pipeline via wire transfer.

23 Q And MGC?

24 A Yes.

25 Q Was that a consolidated bill?

00137

1 A Well, it was all billed -- I mean all of the bills
2 in terms of MPC and MGC to all of the customers are
3 consolidated onto one bill.

4 Q And does that include MIG charges?

5 A If there is transportation held by MIG by a
6 customer, that can be on -- I think typically we do that as a
7 separate bill, but we accept payment as a single payment for
8 all three companies.

9 Q And who do you accept payment from?

10 A From the shippers.

11 Q And who do those include?

12 A ** _____

13 _____
14 _____ **

15 Q ** _____ **

16 A ** _____

17 _____
18 _____ **

19 Q Is that a hospital?

20 A That's my understanding, yes.

21 Q Can you tell me who has the capacity? How fully
22 subscribed is MIG?

23 A Are you saying today?

24 Q Yes, today.

25 A Today they are subscribed at about thirty percent

00138

1 of capacity.

2 Q And who holds that capacity?

3 A Omega.

4 Q Nobody else has capacity on MIG?

5 A Up until the end of June, which is why I said
6 currently, MPC was a capacity holder and the primary capacity
7 holder of seventy-five percent of the capacity of MIG. That
8 contract has now terminated.

9 Q Because of the sale?

NP

10 A No.
11 Q How come?
12 A We are recontracting or beginning to recontract
13 that capacity differently than the way we have done it in the
14 past. Previously we had contracted capacity from MPC to MIG
15 and through this complaint process staff has suggested that
16 that's not an appropriate way to complete that contracting;
17 that if customers want to contract for capacity on MIG they
18 should do that directly.
19 Q So do I sum this up when I say you're renegotiating
20 contracts then?
21 A Yes.
22 Q Does Laclede Gas Company have a contract to
23 transport natural gas over the pipeline, MPC and MGC?
24 A Yes, they're the largest shipper on the pipeline on
25 MPC.

00139

1 Q On MPC. Do they pull through MIG? Do they have
2 any capacity on MIG?
3 A Not today.
4 Q Have they in the past?
5 A No.
6 Q Laclede Gass hasn't had any capacity on MIG, so
7 where do they draw from from the interstate pipeline?
8 A Currently a hundred percent of their receipt point
9 capacity is from Panhandle.
10 Q Is that the Curryville; what's known as the
11 Curryville?
12 A Yes, that's the only connection we've got with
13 Panhandle, so it's one and the same.
14 MS. SHEMWELL: For the court reporter I may refer
15 to them PEPL, which is Panhandle Eastern Pipeline Company;
16 they're both the same company.
17 Q (By Ms. Shemwell) And you said that the contract
18 was with MPC?
19 A Yes.
20 Q And who's their gas supplier; do you know?
21 A I don't have any idea.
22 Q Do you know that Laclede Energy Resources is a
23 separate business from Laclede Gas Company?
24 A I am aware that they have a subsidiary of Laclede
25 Energy Resources, yes.

00140

1 Q Do they have a contract with MPC or MGC?
2 A No.
3 Q Do they hold any capacity on MIG?
4 A No.
5 Q Have they?
6 A No.
7 Q So they would receive -- do they have capacity with
8 Panhandle Eastern?
9 A I don't know.
10 Q Do you know what gas suppliers they use?
11 A Who.
12 Q Laclede Energy Resources?
13 A I would have no idea.
14 Q What about Ameren; who's their contract with?
15 A You're talking about the pipelines?
16 Q I'm talking about, yes, Ameren pipeline.
17 A Well, I'm talking about Ameren's contract with the
18 pipeline.
19 Q Yes, with the pipelines.
20 A They currently have a contract with Missouri

21 Pipeline Company and three separate contracts with Missouri
22 Gas Company.

23 Q Why do they have three separate contracts with
24 Missouri Gas? Is it for Cuba and -- or I'm sorry, St. --

25 A Rolla, Salem and Owensville --

00141

1 Q Thank you.

2 A -- are the three cities in which they contract to.
3 They are separate because there were all contracted for at
4 different periods of time. And the contracts that they were
5 entered into previously as Aquila, those contracts were
6 acquired and the distribution properties were acquired by
7 Ameren from Aquila, but those contracts were entered into
8 separately to support and justify the cost of constructing
9 facilities by MGC to the towns of Salem and Owensville.

10 Q What about Ameren Energy Marketing, also known as
11 AEM; do they have contracts with any of the pipelines?

12 A I believe AEM has a contract with Missouri Pipeline
13 Company, but have not used that contract for several years.

14 Q Do they hold capacity on MIG?

15 A No.

16 Q Will they hold capacity on MIG? Will they? You're
17 renegotiating contracts; is that someone who is likely to
18 have --

19 A I have had to date no interest from Ameren Energy
20 Marketing to hold capacity on MIG.

21 Q Have you had interest from Ameren?

22 A No.

23 Q Did I ask you about Laclede's interest in holding
24 capacity?

25 A They have interest in holding capacity on MIG.

00142

1 Q Are you in negotiations at this time?

2 A I have a signed agreement at this time.

3 Q Do you know how much they're going to hold, how
4 much capacity?

5 A Yes.

6 Q What is that?

7 A ** _____ **

9 Q ** _____ **

10 A ** _____

11 ** _____

12 Q ** _____ **

13 A ** _____ **

14 Q ** _____ **

15 A ** _____ **

16 Q Ameren Services have any contracts? It's a
17 separate affiliate of Ameren.

18 A Oh, I don't know if you're talking about Ameren
19 Services being different from the entity that contracts on
20 behalf of the utilities being AmerenUE.

21 Q My understanding is that Ameren Services is an
22 affiliate of AmerenUE. I can't say that for certain. Do you
23 know? It's a separate affiliate. Do you know if they hold
24 anything?

25 A Well, let me say that the only contracts that

00143

1 AmerenUE -- there are no other Ameren contracts that I'm
2 aware of other than the ones that we've talked about for the
3 utilities which are I believe contracted in the name of
4 Ameren Energy Services doing business on behalf of
5 AmerenUE.

NP

6 Q Okay.
7 A If you want to go beyond that, I need to look at
8 the agreements.
9 Q Did Fidelity have any contracts?
10 A Fidelity had a contract with Missouri Pipeline
11 Company.
12 Q Has that been rolled into the Laclede contract?
13 A It has not. That contract has been assigned to
14 Laclede from Fidelity.
15 Q City of St. James?
16 A Has a contract.
17 Q MPC?
18 A On MPC and MGC.
19 Q Single contract or two separate ones?
20 A They have a single contract on MPC and a single
21 contract on MGC.
22 Q So separate contracts. Yes, separate?
23 A Well, they're separate entities, separate tariffs
24 and they have a single contract per entity, so there's two
25 separate contracts.

00144

1 Q ** _____ **
2 A ** _____
3 ** _____
4 Q ** _____ **
5 A ** _____
6 _____
7 _____ **
8 Q ** _____
9 _____ **
10 A ** _____ **
11 Q ** _____
12 _____ **
13 A ** _____ **
14 Q Is that also true of the City of St. Robert; they
15 have a contract with MPC?
16 A They have a contract with MPC and a contract with
17 MGC.
18 Q And does Omega provide their gas?
19 A From my understanding the current requested agent
20 for St. Robert is ** _____ **
21 Q With whom does Waynesville have contracts?
22 A Same as St. Robert; they have a transportation
23 agreement with MPC and MGC.
24 Q Is ** _____ ** their supplier?
25 A ** _____ **

00145

1 Q And Fort Leonard Wood; does Fort Leonard Wood have
2 any separate contract with MPC or MGC?
3 A Fort Leonard Wood; you're talking about the
4 government?
5 Q Yes.
6 A The government does not have contracted capacity on
7 the pipelines.
8 Q Who holds that capacity for them or who's their
9 agent or whatever?
10 A Well, let me say it this way. Omega has a contract
11 on MPC and MGC that they utilize to transport gas to the
12 delivery meter at Fort Leonard Wood.
13 Q Do they also use MIG?
14 A I believe they do now.
15 Q Who did they use in the past? Would they come
16 through the Panhandle Curryville?

NP

17 A Well, as I explained earlier, we're in the process
18 of renegotiating contracts. Up until the end of June MPC
19 contracted for capacity on MIG and allowed shippers access to
20 MRT through MIG only by contracting with MPC.

21 Q In that situation --

22 A So they could receive gas from either Panhandle or
23 MRT under that arrangement.

24 Q But that's changing?

25 A That is in the process of being changed.

00146

1 Q And then they will buy from whom? Will they buy
2 directly from MIG or will they go through Omega?

3 A You need a more complete question.

4 Q We're talking about Fort Leonard Wood and the
5 capacity, where are they going to get their capacity. You
6 said they have MIG now. Has that been the change that has
7 occurred?

8 A Let me start back at the beginning.

9 Q Please.

10 A Omega currently has contracted capacity on MGC, on
11 MPC and MIG.

12 Q Okay.

13 A So under that arrangement they can receive gas from
14 either MRT or Panhandle Eastern.

15 Q When did that change? You said they have MIG now;
16 when was that changed?

17 A Effective July 1.

18 Q Does ** _____ ** have a contract with either
19 MPC or MGC?

20 A They have one each with each entity.

21 Q I'm leaving that alone.

22 A Okay.

23 Q Do they hold any capacity? These companies hold it
24 for them?

25 A ** _____ **, who is the company, right, holds the

00147

1 contract on Missouri Pipeline Company for capacity and holds
2 capacity on Missouri Gas Company.

3 Q Okay. Will they be served by MIG? Is that
4 changing?

5 A If they acquire capacity on MIG, they could utilize
6 MIG. They currently do not have a contract on MIG.

7 Q Let me ask you why would Busy Bee want to get
8 capacity on MIG as opposed to what they have currently?

9 A You will have to ask Busy Bee that.

10 Q My question in general is what would be the benefit
11 for a customer such as Busy Bee in general to get capacity on
12 MIG as opposed to the current arrangement?

13 A Well, I think it's more of an overall of where
14 there is capacity available on interstate pipelines, what the
15 cost of that capacity is, whether or not they can get
16 discounts, what the gas suppliers are able to provide on
17 either one of those entities, whether or not there is an
18 abundance of gas supply on the pipeline that they're taking
19 the gas from and what in effect the landed cost to gas to
20 that delivery point would be.

21 Q For Laclede is their contract for firm service?

22 A Which contract?

23 Q MPC.

24 A Yes, it is.

25 Q That was the only contract I understood -- they've

00148

1 just entered into a new one, right? You just entered into

NP

2 it. Is that for firm service?

3 A Well, you asked me about MPC and MIG and didn't
4 clarify between which company.

5 Q MPC, is that firm?

6 A Yes.

7 Q MIG, is that firm?

8 A Yes.

9 Q What about Laclede Energy Resources; they don't
10 have any contract, right?

11 A I have no current contracts with Laclede Energy
12 Resources.

13 Q Ameren's contracts with MPC and MGC, are those all
14 firm? They're four different contracts, right?

15 A Yes, they are.

16 Q All firm. And whatever AES has arranged on their
17 behalf, that's all firm transportation?

18 A I think I said the AES is an interruptible
19 agreement that hasn't been used in several years. Again,
20 aside from Ameren Energy Services contracting on behalf of
21 the utilities.

22 Q All right. They have the contracts for the cities'
23 distribution systems, correct?

24 A Yes.

25 Q Are they buying interruptible contracts to serve
00149 1 those test?

2 A Let's go back again.

3 Q Okay.

4 A It is my understanding that inside the Ameren
5 organization -- and maybe we ought have Ameren explain this
6 better than I because I don't actually know their full
7 organization, but --

8 Q We may ask them.

9 A They have an organization that's Ameren Energy, and
10 it may be Ameren Energy Fuels and Services, but from a
11 contracting standpoint that service organization is able to
12 contract for capacity in the name of the utility. So when
13 you say Ameren Energy Services, I don't know if it's Ameren
14 Energy Services contracting on behalf of AmerenUE, which is
15 the utility that holds the capacity here and those are firm
16 agreements.

17 Q Okay. And they also have an interruptible
18 agreement; was that where --

19 A Ameren Energy Marketing has an interruptible
20 agreement that hasn't been used in quite some time.

21 Q Are you negotiating with Ameren currently for any
22 additional agreements?

23 A Ameren has -- and for the sake of clarity let's
24 just say AmerenUE.

25 Q Okay.

00150

1 A ** _____
2 _____
3 _____

4 ** _____

5 Q ** _____

6 ** _____

7 A ** _____ **

8 Q ** _____

9 ** _____

10 A ** _____ **

11 Q ** _____ **

12 A ** _____ **

NP

13 Q Fidelity, is that firm? The contract that's been
14 assigned to Laclede?
15 A That is a firm agreement, yes.
16 Q And City of St. James?
17 A That's a firm agreement.
18 Q City of Cuba?
19 A That's a firm agreement.
20 Q St. Robert?
21 A Yes.
22 Q Waynesville?
23 A Yes.
24 Q Firm?
25 A Yes.

00151
1 Q And for Omega for the Fort, that's firm?
2 A Yes.
3 Q What about ** _____ **, are they
4 interruptible?
5 A They have a firm agreement.
6 Q ** _____ **, does it a contract with MPC or MGC?
7 A Not currently.
8 Q Are they still transporting on the system?
9 A They are not a shipper.
10 Q ** _____ **
11 A ** _____
12 _____
13 _____ **
14 Q ** _____
15 _____ **
16 A ** _____ **
17 Q ** _____ **
18 A ** _____
19 _____
20 _____
21 _____
22 _____
23 _____ **
24 Q So do they have a contract with anybody?
25 A They do not have transportation contracts on the

00152
1 pipelines.
2 Q How do they assure their transportation if they
3 don't have transportation capacity? ** _____
4 _____
5 _____ **
6 A ** _____
7 _____
8 _____
9 _____ **
10 Q Does Owensville play any role in this in terms of
11 making sure that Emhart gets gas? Do they have any
12 responsibility for that? Does it pass through their
13 pipelines?
14 A ** _____
15 _____
16 _____
17 _____
18 _____
19 _____ **
20 Q And the point at which Ameren gets it, is that the
21 city gate?
22 A Yes.
23 Q ** _____

24
25
00153
1 A **
2
3 **
4 Q **
5 **
6 A ** **
7 Q ** **
8 A ** **
9 Q ** **; what about them? Do they have
10 contracts?
11 A ** ** has a contract on MPC and a contract on
12 MGC.
13 Q Any with Omega?
14 A Not that I am aware of.
15 Q Where is ** **? Do you know where that
16 customer is?
17 A What I know from a pipeline standpoint is that we
18 make delivery to the Rolla city gate for ** **
19 account.
20 Q Firm or interruptible?
21 A They hold firm transportation agreements.
22 Q Do you know who their gas supplier is?
23 A **
24
25 **
00154
1 Q **
2 **
3 A **
4 **
5 Q ** **, with whom do they have contracts?
6 A They have firm and interruptible transportation
7 agreements on MPC and MGC.
8 Q Have they been interrupted?
9 A Their interruptible contracts have been interrupted
10 a couple times that I'm aware of.
11 Q So if gas has been interrupted, the gas flow to
12 them has been interrupted on occasion?
13 A Any volumes over and above their firm contract have
14 been interrupted. The interruptible transportation has been,
15 yes.
16 Q Under what circumstances does that happen?
17 A Extremely cold weather. You know, peak day
18 deliveries off the system.
19 Q Who figures peak day for your system? Is it by
20 customer?
21 A Well, again, we're not an LDC.
22 Q Right.
23 A It's not an on demand system. Peak day is
24 determined by contracted capacity.
25 Q ** **, with whom do they
00155
1 have contracts?
2 A They have interruptible agreements with MPC and
3 MGC.
4 Q No firm?
5 A No firm.
6 Q And have they been interrupted?
7 A Yes, they have.
8 Q Same situation that we discussed?

NP

9 A Yes.
10 Q Who does ** _____ ** have contracts with?
11 A ** _____ ** does not have contracts on the pipeline.
12 Q Nothing with MPC or MGC?
13 A No.
14 Q Contracts with Omega?
15 A ** _____
16 _____ **
17 Q ** _____ **
18 A ** _____
19 _____ **
20 Q ** _____
21 _____ **
22 A ** _____
23 _____
24 _____
25 _____
00156
1 _____
2 _____ **
3 Q ** _____
4 _____
5 _____ **
6 A ** _____
7 _____
8 _____ **
9 Q And they have their own meter at that --
10 A They have their own meter.
11 Q Safety shut off valves, whatever else?
12 A Well, it's control valves and measurement. Again,
13 that meter station is owned by MGC.
14 Q Did Omega own any meter stations on the system?
15 A You mean outside of Fort Leonard Wood?
16 Q Uh-huh.
17 A No.
18 Q Omega has meter stations inside the federal
19 property; is that --
20 A That's true. On Fort Leonard Wood.
21 Q On the property?
22 A Yes, as a part of their gas distribution service.
23 Q ** _____ **
24 A ** _____
25 _____ **
00157
1 Q ** _____ **
2 A ** _____ **
3 Q ** _____ **
4 A ** _____ **
5 Q ** _____ **
6 A ** _____
7 _____ **
8 Q Did I ask you earlier if you could get legal
9 representation by tomorrow?
10 A And I said I doubted it.
11 Q Okay. Will you be the one to obtain representation
12 for Omega during the time period when you were --
13 A I would need to have that discussion with Tortoise
14 Capital Resources or certainly you can have that discussion
15 with Tortoise Capital Resources. I don't know if you've had
16 any contact with them since the transaction.
17 Q Are there any other customers of Omega, MPC or MGC
18 that we haven't discussed?
19 A Not that I'm aware of on the pipeline.

NP

20 Q Omega? The pipelines; you're talking about MPC,
21 MGC and MIG?
22 A Yes.
23 Q And on Omega?
24 A Are you asking me --
25 Q Are there other customers?
00158
1 A Further does Omega have any other business that it
2 conducts?
3 Q Yes.
4 A **
5
6 **
7 Q **
8 **
9 A **
10
11
12
13
14 **
15 Q ** **
16 A **
17
18
19
20
21
22 **
23 Q ** **
24 A **
25
00159
1
2
3
4
5 **
6 Q **
7
8 **
9 A **
10
11
12 **
13 Q **
14 **
15 A **
16 **
17 Q ** **
18 A **
19
20
21
22
23
24
25
00160
1 **
2 Q I may have to come back to this because I'm afraid
3 I got lost in that, but --
4 A Okay. Let me help. In a general way companies or

NP

5 entities that contract for capacity have the financial
6 responsibility to pay for that capacity. They, the contract
7 holder, can request that somebody else receive and pay that
8 bill. That is the case in several instances that other
9 parties can act as an agent for the shipper.

10 **

17 Q

16 **

18 A

18 **

17 **

20 **

21 Q

21 **

22 **

23 A

23 **

24 **

25 Q

Only?

00161

1 A Well, to the extent that that capacity is there and
2 available to be utilized it can certainly be utilized to
3 provide transportation because it's a contracted capacity on
4 the pipelines.

5 Q

5 **

6 **

7 A

7 **

7 **

8 Q

8 **

8 **

9 A

9 **

9 **

10 Q

10 **

12 **

13 A

13 **

22 **

23 Q

23 **

25 **

00162

1 A

Right.

2 Q

-- it sort of evens out the use of the system a
3 little bit?

4 A

Well, I don't know that it evens it out, but it
5 certainly utilizes capacity on the pipeline that would not
6 otherwise be utilized.

7 Q

The customers we have discussed above, do they get
8 a monthly bill from a separate -- I think you said they did
9 not get a separate bill from MPC and MGC; is that correct?

10 A

We need to limit the scope. Which --

11 Q

Let me step back then.

12 A

What companies are we talking about?

13 Q

Do MPC and MGC send out combined bills to those
14 customers that both pipelines serve?

15 A

MPC and MGC sends out a monthly bill to all

NP

16 shippers at the start of every month for the through put
17 volumes of the previous month.

18 Q And for those customers who are not served by MGC,
19 MPC does the same thing?

20 A I thought I included MPC and MGC in that process,
21 but obviously customers or shippers that only hold capacity
22 and take delivery off of MPC get a bill from MPC. If the
23 volume is delivered to MGC and then MGC transports and makes
24 delivery to the ultimate customer, they'll receive a combined
25 bill from both companies.

00163

1 Q From what other entities would they receive bills?
2 MIG, would they receive any bills from MIG?

3 A Well, as we said a little bit ago, up until the end
4 of June I was utilizing a process where MPC held the capacity
5 on MIG, so in that case MIG's bill went to MPC and MPC paid
6 it. And MPC looked for payment from its transportation or
7 incorporated the cost of that transportation into its
8 providing of that service.

9 Q Did MIG bill MPC for all of the capacity that it
10 held whether or not MPC was able to use it?

11 A It billed MPC every month for its contracted MDQ,
12 maximum daily quantity.

13 Q Has that changed?

14 A As I said previously, the contract between MPC and
15 MIG expired, terminated at the end of June. We are now
16 recontracting individual shippers to hold capacity on MIG.
17 And as I think I said that Omega effective July 1 is now a
18 contracted shipper and we said earlier that Laclede will be a
19 contracted shipper late this year.

20 Q When we discussed employees earlier, I don't -- did
21 we discuss Ryan's activities in terms of this? I thought I
22 understood from the prior deposition that he was doing
23 nominations. Is that correct or incorrect?

24 A That is incorrect.

25 Q What does Ryan do?

00164

1 A Ryan is the engineer for the companies. I believe
2 we spent quite a bit of time talking about -- probably more
3 than you wanted to hear --

4 Q No.

5 A -- on his involvement in SCADA and gas accounting
6 and fuel lost and unaccounted for, that whole redesign
7 accounting -- it's an accounting process, but it's volumetric
8 accounting not, financial accounting.

9 Ryan also has access to a system flow model that he
10 does flow modeling for the pipeline system. He is very much
11 involved with DOT programs, Department of Transportation
12 programs, involving pipeline integrity management, which is a
13 very major program in terms of managing the integrity of the
14 pipeline and tracking operational, construction, integrity
15 data for the pipeline.

16 He's involved right now with a new program
17 beginning this year for public awareness programs
18 specifically targeting -- it's a DOT requirement targeting
19 emergency response agencies around pipelines to improve their
20 awareness of processes and procedures and relating to
21 responding to emergencies on pipelines.

22 He's coordinating the pipeline's involvement in
23 MAP, which is the Missouri Association of Pipelines which is
24 an association involving pipelines of all commodity
25 characteristics whether they're crude oil, liquid products,

00165

1 gas. Many of the pipeline companies that operate in the
2 state have joined that as a consolidated effort to make
3 emergency response agencies aware of what they need to do on
4 responses.

5 I mean that -- he does a lot of things.

6 Q When you talk about the integrity of the system, do
7 you mean the physical integrity?

8 A Yes.

9 Q In terms of rust, damage?

10 A Verification of MAOP, maximum allowable operating
11 pressure. He does on site investigations of encroachments to
12 the pipeline.

13 Q That means if someone strikes the pipeline with
14 something or is that trees or --

15 A No, encroachments generally means people either
16 constructing or doing work over. The specific example we
17 talked about a little bit ago was Gaines; clearly an
18 encroachment on top of the right of way. The right to
19 install and operate the pipeline is also something that is
20 maintained in terms of access to the pipeline, your ability
21 to gain access, to perform maintenance, to perform leak
22 surveys, to perform integrity surveys, to perform cathodic
23 protection surveys.

24 Q C-a-t-h-o-d-i-c.

25 A I think he's been -- he has reviewed on site every
00166

1 instance where there is an encroachment. And that is where
2 someone is building close enough to the pipeline to change
3 what DOT refers to as its class location designation, which
4 can change the amount of maintenance work. Obviously the
5 more encroachment you have adjacent to a pipeline, the more
6 preventative maintenance and prescriptive maintenance and
7 investigation that you have to do on that particular segment
8 of pipeline.

9 He's done -- I mean he spent a lot of work doing
10 that process in the last couple of years and making sure that
11 the pipelines are in compliance with these requirements as
12 they're prescribed by DOT.

13 Q Does he come and physically walk the pipe, drive
14 it, whatever you do?

15 A Well, we usually let him drive; he doesn't have to
16 walk to all of the locations. You know, a lot of his work is
17 related to assessment, analysis, investigation, determining
18 whether or not compliance and records conform with the
19 minimum requirements as prescribed by DOT. He does
20 documentation relative to the integrity management program,
21 which now is becoming a fairly thick three ring binder even
22 for what I would consider a relatively short piece of pipe.
23 It's a fairly extensive data requirement.

24 Part of that integrity management program requires
25 pipeline operators to assess outside risks in the form of a
00167

1 broad number of categories and primarily with focus related
2 exposure to general population. And as a result of that
3 pipeline operators are then required after they do that risk
4 assessment to take the segments with the highest risk and
5 begin a process of risk assessment to determine whether or
6 not they're taking and have in place sufficient protection of
7 those assets to mitigate the risk to the public.

8 Q Do you work with any security agencies in terms of
9 terrorist activities?

10 A No, we do not directly contact or have an
11 involvement of an outside security agent, no.

12 Q So how often does Ryan come to Missouri?
13 A You know, it really depends on what's he's working
14 on. Through the integrity management process I would say
15 once a quarter; three, four times a year.
16 Q When Omega was still under this umbrella, did he
17 work for Omega as well?
18 A He provided a limited amount of services for Omega.
19 I think there was one effort where I wanted him to do some
20 system flow model and we had received a model from Aquila in
21 the acquisition, so he took a look at that and did something
22 to do some flow analysis to determine whether or not adding
23 additional capacity to the pipeline was functionally
24 capable.
25 Q Do you have specific programs to do that kind of

00168

1 modeling? Are you talking about something that's done on the
2 computer?
3 A It's done on the computer and it's a prepared
4 program. I believe you identified it on my expense report as
5 a program that's provided by L.L. Bean. I think -- Bradley
6 Bean; not L.L. Bean, but Bradley Bean. He's an engineer that
7 developed what I would consider a PC, computer PC friendly,
8 but still fairly capable program for doing system flow
9 modeling. And it's the primary model that we rely on in the
10 pipeline to determine whether or not we are able to provide
11 our contracted capacity.
12 Q Did he do public awareness stuff for Omega?
13 A There is no requirement for public awareness.
14 There is no requirement for Omega to do integrity pipeline
15 management since it's a distribution company.
16 Q I'm thinking I guess about our safety people have
17 done the call before you dig type programs and things like
18 that to alert people to the fact that you hit a gas pipeline
19 there are problems.
20 A Well, Omega does belong do the Missouri One Call
21 system, but Ryan doesn't have anything --
22 Q Doesn't do that?
23 A Doesn't have anything to do with that. Does not
24 make gas nominations, does not -- I mean really has fairly
25 limited involvement in what I would call day to day

00169

1 operations flow on the pipeline.
2 Q Who does make nominations?
3 A For?
4 Q Any of these customers, for Omega?
5 A Shippers are responsible for making the
6 nominations.
7 Q So was Omega responsible for nominations for Fort
8 Leonard Wood?
9 A Yes.
10 Q Do most of these shippers make nominations on a
11 daily basis?
12 A No.
13 Q Who wouldn't?
14 A I would say the majority of them would start out --
15 the majority I would say make nominations three to five times
16 a month. **

17

18

19 Q Do you consider Fort Leonard Wood a large
20 distribution system in comparison to like Rolla and
21 Owensville?

22 A No.

**

NP

23 Q Are they a similar size?
 24 A They're a similar size.
 25 Q They are a similar size. So do they make daily
 00170
 1 nominations?
 2 A No.
 3 Q ** _____ **
 4 A ** _____
 5 _____
 6 _____ **
 7 Q Okay.
 8 A They may very well and particularly at this time of
 9 the year they may very well set a nomination at the first of
 10 the month and let it go for the entire month.
 11 Q So why would a company not make a nomination every
 12 day? These others, why don't they nominate every day?
 13 A I would presume because they don't need to.
 14 Generally the imbalance allowances on the pipeline are fairly
 15 broad, allow for a fairly significant imbalance. And
 16 obviously the pipelines have imbalance arrangements with both
 17 of the upstream interstate pipelines. As long as the
 18 pipeline is relatively balanced with the interstate pipelines
 19 being MRT and PEPL, we certainly don't say anything to the
 20 shippers.
 21 Q ** _____ **
 22 _____ **
 23 A ** _____ **
 24 Q ** _____ **
 25 A ** _____ **
 00171
 1 Q For example?
 2 A That's true.
 3 Q But generally all of the other companies are going
 4 to use some gas every day?
 5 A Well, certainly LDCs, local distribution companies,
 6 who have multiple customers connected to their system would
 7 expect to have some through put every day. An industrial
 8 customer may choose not to operate on a given day.
 9 MS. SHEMWELL: Shall we take five minutes.
 10 THE WITNESS: Sure.
 11 MS. SHEMWELL: We'll come back and go until 4:30,
 12 5:00 until we come to a logical stopping point I'm thinking.
 13 (Whereupon there was a brief recess).
 14 MS. SHEMWELL: David Summerer from the staff is on
 15 the line and Shelly, Syler who is an attorney with the
 16 general counsel's office, my office, has joined the
 17 deposition.
 18 THE WITNESS: Are we back on the record?
 19 MS. SHEMWELL: We're back on the record.
 20 Q (By Ms. Shemwell) We were talking about nominations
 21 when I diverted over to Ryan. Does MPC verify any
 22 nominations with its upstream pipelines?
 23 A Well, there is a nomination verification process
 24 between MPC and or MPC and MIG with MRT and Panhandle
 25 Eastern. In the case of MRT, MRT is a party that performs
 00172
 1 measurement and schedules the volumes. In the case of
 2 Panhandle, MPC is the party of measurement. In either case
 3 the companies confirm and verify nominations at which point
 4 once the nominations are confirmed and balanced on both
 5 sides, the imbalance by shipper disappears and becomes an
 6 obligation between the pipelines.
 7 Q And if a shipper doesn't have any nomination for

NP

8 that day, does MPC care about the fact that it's shipping gas
9 anyway?

10 A Does it still make deliveries?

11 Q Yes.

12 A To the extent that they've got contracted capacity
13 they'll still make delivers.

14 Q Even though there's not a nomination?

15 A True.

16 Q Does FERC allow a shipper to hold capacity on an
17 intrastate pipeline that cannot hold title to the gas? If
18 the shipper cannot hold title to the gas, can they still hold
19 capacity?

20 A There is a provision that FERC has that requires
21 shippers to hold title or to be in position to acquire title
22 or some other provision. Obviously it makes exceptions for
23 intrastate pipelines to do that as well.

24 Q Is MIG currently under what is known as a FERC
25 Hinshaw exception?

00173

1 A Lera, my understanding is Hinshaw applies to
2 intrastate pipelines. Intrastates are allowed to get a
3 Hinshaw exemption if they're not -- they're automatically
4 exempted if they're not transporting gas outside or
5 delivering gas outside the state. They can get a Hinshaw
6 exemption, which is a Commission approved exemption, if they
7 do perform what has been generally known as 311
8 transportation that is on behalf of other parties.

9 Q I'm going to switch over to customer billing. Who
10 generates the bills for MPC, the invoices?

11 A We talked previously about a redesign process,
12 volumetric tracking. That's the front end to the invoicing
13 process. At the end of every month when you've accounted for
14 all the volumes that were nominated, received, fuel lost and
15 unaccounted for and deliveries for that month, each shipper
16 then gets a bill that has the volume with a mathematical
17 computation for the quantity that was reserved, the volume
18 that was shipped multiplied times the rates at which they're
19 contracted for.

20 Generally that process is originated by Patty in
21 that she has put the volumetric data in. I generally give
22 her any contractual changes that gets included in that
23 mathematical process. It is then reviewed by myself and
24 generally Dave Wallen if he's available if he's in the office
25 that day before the bills are sent out. Obviously I don't

00174

1 see the bills as they go out, but I have consistently
2 reviewed those bills prior to them being mailed out.

3 Q Did patty do that for Omega customers as well?

4 A The Omega process is not a part of any of that
5 system. Omega's bills -- again, I'm not sure that this is
6 something that I ought to be giving testimony on without
7 having legal representation here and Paul says he can't do
8 that. But generally I can say on behalf of the pipelines
9 Omega's bills are not generated in the same programs or under
10 the same process that the pipelines use.

11 Q But did Patty do that; was Patty responsible for
12 it?

13 A No.

14 Q So some other person was responsible for Omega?

15 A Yes.

16 Q Do you care to say who?

17 A I think he's sitting here right in front of you.

18 Q So you're referring to yourself, Mr. Ries?

19 A That's true.

20 Q When you say contractual changes, and I'd like to
21 include Omega in this general discussion if you're willing to
22 do that, would contractual changes include things like a
23 change in the rate, in the quantity; what?

24 A Yes, both.

25 Q Anything else?

00175

1 A If there was a change in agency relationship with a
2 shipper. If there was a transfer of title as in Fidelity
3 assigning a transportation agreement to Laclede. As in
4 Acquila assigning their transportation agreements to
5 AmerenUE. If there was a new contract, clearly if there was
6 a change in the maximum daily quantity the reservation charge
7 and certainly rates.

8 Q Did shippers generally have the same rate on the
9 system?

10 A I think all shippers generally -- what I would
11 refer to as similarly situated shippers would get the same
12 rate treatment.

13 Q For example, would you consider Ameren and Laclede
14 to be similarly situated?

15 A Nope.

16 Q Because?

17 A Oh, because Laclede's about four times larger.

18 Q So how would, for example, the smaller customers --
19 let's say ** _____ ** -- are they similarly
20 situated?

21 A Yes, I would say so.

22 Q And ** _____ ** would be similarly situated to those
23 guys?

24 A Again, I don't know. ** _____ ** is not a shipper
25 on the system.

00176

1 Q So what rates would they pay?

2 A The Cities of Cuba, St. James, St. Robert,
3 Waynesville I would consider similarly situated and they
4 would all pay the same rate.

5 Q Are meter reads done daily for the each customer?

6 A Measurement data is collected daily for all receipt
7 and delivery points off the pipeline.

8 Q What customer are you not throwing in that basket
9 who is not at a receipt or delivery point? Are there any
10 customers that --

11 A I don't know that there are any shippers that are
12 not included in that arrangement.

13 Q ** _____

14 _____

15 _____ **

16 A ** _____

17 _____

18 _____

19 _____

20 _____

21 _____

22 _____ **

23 Q ** _____

24 _____ **

25 A ** _____

00177

1 _____

2 _____

3 _____ **

NP

4 Q **

5 A **

6

7

8

**

9 Q But you believe that that company is still taking
10 gas off the system in some way?

11 A I think they're still doing business and they're
12 still employing people and they're still in the manufacturing
13 business and it would be my belief that gas is still their
14 better alternative.

15 Q Who maintains the daily reads that come in from all
16 of the receipt points? Who maintains those records is my
17 question?

18 A Well, I thought we had covered this earlier. Maybe
19 we did and maybe I didn't do such a good job. Daily
20 information comes in via the SCADA system.

21 Q Okay.

22 A It is collected in a computer. That computer does
23 not have in it an integrated historical tracking process. It
24 does have the ability to keep a certain amount of data for a
25 certain period of time, so for each business day it will

00178

1 collect the data for the previous day. Patty Hawkins then
2 has the responsibility for pulling that information off,
3 manually transferring it to what I would refer to as a gas --
4 the volumetric tracking system that we redid in 2003,
5 inputting the data into that system. So it would be
6 specifically Patty Hawkins pulling that information off.
7 Obviously there are procedures in place for when Patty is not
8 there that Dave Wallen does that.

9 Q And we said that you check the bills, so if you see
10 something that's unusual or unexpected for a company, you
11 would be the one that would check -- would find that
12 typically?

13 A Well, I would hope and expect that over a period of
14 time the more familiar that Patty would be with it and
15 obviously Dave Wallen has years of experience, that any three
16 of us would see or have the ability to recognize something
17 that was out of the norm or out of the unusual or would at
18 least prompt us to investigate. And certainly from time to
19 time I would see something on the volume reports that would
20 lead me to question whether there was something unusual going
21 on and ask either Dave or Patty to investigate.

22 Q For example, if you were getting a zero read from a
23 gas meter?

24 A A zero read or, you know -- yeah, a zero read or a
25 high read or the same reading every day. I mean those are

00179

1 the kinds of things that you might expect that would draw
2 attention.

3 Q Do your meters have automatic meter readers on
4 them?

5 A Yes. For the most part they do, yes.

6 Q And how often would you check, go out and
7 physically check them, check the meter?

8 A Well, typically our procedure our internal
9 procedure is check each meter station each month. Obviously
10 electronically we get -- the larger stations we get readings,
11 you know, theoretically about every five minutes on the large
12 stations to the some of the smaller stations where we only on
13 get readings once a day.

14 Q What do you classify as a larger station?

NP

15 A Clearly the master meter stations that serve the
16 integrated LDC symptoms of Laclede and Ameren are the larger
17 meter stations.

18 Q And you're talking about St. James when you say
19 those large or those types of customers?

20 A Oh, no. I would not --

21 Q Salem?

22 A **

23 _____
24 _____
25 _____

00180

1 _____
2 **

3 Q Do you have any MPC or MGC customers who are only
4 billed by Omega?

5 A I'm not -- I don't know that I understand the
6 question.

7 Q Are there any of the customers we've discussed who
8 only receive bills from Omega?

9 A Again, if they are an MPC or an MGC customer,
10 meaning they are a capacity holder, a shipper, they all
11 receive their invoices from the pipeline or their designated
12 agent meaning that they all receive their transportation
13 invoice each month. I don't understand the correlation, the
14 second part of the question.

15 Q What about customers who only receives bills from
16 MIG; do you have any customers that only get bills from
17 MIG?

18 A Again, what we talked about a little bit ago up
19 until the end of June the only shipper on MIG was MPC. That
20 contract has now been terminated. Keep in mind the only
21 delivery point that MIG currently has is MPC, so there would
22 be -- I mean there's nothing else to deliver to.

23 Now that we've started this recontracting process
24 Omega has a contract and Laclede has entered into a contract
25 yet that has not yet started.

00181

1 Q Does Omega specifically bill ** _____ ** for the
2 gas delivered to its premise?

3 A Again, you're talking about the business of Omega,
4 which I do not feel comfortable answering.

5 Q Who does the meter readings on behalf of Omega?

6 A Again, it's Omega's business.

7 Q Are you willing to speak to the time when you were
8 president of Omega who did the meter readings?

9 A That's the same issue; it's Omega's business.

10 Q Yeah, but you were president of Omega, right?

11 A And it's Omega's business.

12 Q Right. Okay. Do you know when the meters are
13 read?

14 A I think we just went through this. Some of them
15 are read as often as every few minutes, some are read
16 daily.

17 Q This is really in reference to Omega. Is that true
18 for Omega as well; daily minute by minute or up to daily?

19 A The transportation agreements for Omega for
20 delivery to Fort Leonard Wood?

21 Q Uh-huh.

22 A Is an online lease line communication line, so it's
23 read certainly several times an hour. The transportation
24 agreements for the pipelines to the City of Cuba are
25 similarly lease line communication. ** _____

NP

00182

1 _____
 2 _____
 3 _____ ** That currently
 4 uses a rather new technology that utilizes control channel
 5 over cellular phone technology, which is the control channel
 6 and cellular phones or the channels that cell phone companies
 7 use to communicate between the cell phones and the towers;
 8 it's not the channel that we talk over.

9 So control channels in cellular phones have a fair
 10 amount of data band width available to utilize and there are
 11 a number of technologies out there that for very limited
 12 fees, very nominal fees, allows you to transmit data over
 13 that same channel. And that's something that we do for

14 ** _____ **
 15 ** _____
 16 _____
 17 _____
 18 _____
 19 _____ **

20 Q And then after you get those numbers, Patty puts
 21 the information in and you calculate the bill; is that how it
 22 works?

23 A Well, obviously that information is put in every
 24 day for each delivery point for each shipper. Obviously a
 25 shipper can have multiple delivery points; many of them do.

00183

1 And each day we try to -- we send out volumetric reports to
 2 shippers to know where they stand on the system. And at the
 3 end of the month we take the consolidation of all that
 4 information through the month and it becomes the source
 5 document for calculating the bill.

6 Q What if one of your shippers is using a lot more
 7 gas during the month then they have nominated?

8 A That's great.

9 Q Because?

10 A More through put means more money.

11 Q Can you get to the point that it's an issue?

12 A It can, yes. If they significantly over take what
 13 they've nominated.

14 MS. SHEMWELL: Let's go off the record just a
 15 moment. I'm sorry.

16 (Whereupon there was a brief recess).

17 MS. SHEMWELL: Let's go back on the record,
 18 please.

19 Q (By Ms. Shemwell) Patty compiles all of the data;
 20 have we established that? It comes and she compiles it,
 21 manually enters it into --

22 A I'm not sure what compiles means. She pulls --
 23 manually pulls the data off of the SCADA system and enters it
 24 into the volumetric tracking spreadsheet that we use. That
 25 information comes from various sources; most of it comes from

00184

1 SCADA. Obviously we get MRT volumes from MRT, we get some --
 2 in the case of Emhart volumes from Ameren. Most everything
 3 else we have the ability to read directly off of the pipeline
 4 in terms of daily deliveries.

5 She also -- let me add, as a part of that process
 6 we run an on stream chromatograph.

7 Q Spell that for the court reporter.

8 A C-h-r-o-m-o-g-r-a-p-h. A chromatograph is
 9 effectively an instrument that analyzes the hydrocarbon and
 10 non hydrocarbon components of the flowing gas stream, does

NP

11 this on a continuous basis and at the end of the day
12 calculates a composite analysis of the BTU per cubic foot
13 because all the measurement is done in cubic feet. Then we
14 do -- she also enters that analysis, the outcome of that
15 daily average, into the same system so that on a real time
16 basis we're calculating not just -- or inputting the
17 volumetric date, but also the BTU data per cubic foot so that
18 each customer then gets delivered BTUs.

19 Q Does Patty mail out of the bills pretty much the
20 same day of the month or are they all billed monthly?

21 A All of the pipeline's bills we try to send out on
22 the first business day of the month for the previous month.

23 Q Is that true of Omega as well, first business
24 day?

25 A I think one would say that that would probably be a
00185 1 reasonable assumption.

2 Q Is that yes?

3 A Without speaking on behalf of Omega.

4 Q **

5 **

6 A **

7
8 **

9 Q ** **

10 A **

11
12

13
14 **

15 Q Would you have occasion to send bills to people who
16 are not customers of the pipeline?

17 A Well, I would love to if I could get them to pay
18 bills that they didn't have contracted capacity for. I mean,
19 you know, that's probably a marketing strategy that I haven't
20 employed.

21 Q So your answer is no?

22 A The answer is no.

23 MS. SHEMWELL: We'll remark this is as a new
24 exhibit for this and this is going to be four because we have
25 the map as well. Correct? We marked that map as three. We

00186 1 will recreate that for you for your records if you would like
2 us to.

3 THE WITNESS: I just keeping getting requests from
4 other people in PSC for my maps, so I should be requesting
5 maps from you.

6 MS. SHEMWELL: We're happy to copy that for you if
7 you would like.

8 Q (By Ms. Shemwell) Is this a document that you
9 created, Mr. Ries?

10 A I believe this is a document that I created in
11 response to a request from Janis for volumetric and revenue
12 data for it would appear for the years 2004, 2005.

13 Q Can you tell me what the revenue summary
14 represents? For example, let's start with Laclede. It says
15 FT MDQ; what does that mean?

16 A FT MDQ that's their maximum daily quantity that
17 Laclede has contracted for capacity on Missouri Pipeline.

18 Q Do they pay for that whether they use it or not?

19 A They do.

20 Q And the reservation rate, would you describe what
21 that is?

NP

22 A At the time that this was prepared that was their
23 contracted reservation rate to pay -- obviously it's a
24 monthly charge that's applied to each and every decatherm of
25 MDQ that they have subscribed for.

00187

1 Q Is that rate generally the same for the other
2 customers on the list?

3 A I think it's -- that is a prescribed process that's
4 contained within the tariff and so, therefore, should, be
5 consistent for all customers.

6 Q Does the commodity rate per decatherm or the
7 commodity rate, does that vary by customer?

8 A It can.

9 Q Based on what?

10 A Obviously negotiated; it's a negotiated rate.
11 Anything less than the prescribed tariff rate is a discount
12 that's given in consideration to the specific customer, their
13 willingness to negotiate other terms and conditions outside
14 the norm and whether or not their business level is
15 sufficient to provide them flexibility in terms of the amount
16 of business that they did on the pipeline.

17 Q The customers that you have identified as similarly
18 situated, will they have a similar commodity rate or the
19 same?

20 A Well, I don't know that I would say that a -- that
21 I would tie that specifically to a commodity rate, no.
22 Obviously contracted MDQ, reservation rate, commodity rate,
23 whether or not they're making commitments for annual through
24 put such that annual through put drives commodity revenues
25 certainly would have an impact on a willingness to provide a

00188

1 discount off of the commodity rate as well as the reservation
2 rate.

3 Q If they're buying the gas commodity from Omega, did
4 they get a better rate on the pipelines than a customer who
5 was buying from ** _____ **?

6 A Well, I think -- I don't know any specific example
7 of that or what you're referring to. Obviously Omega as far
8 as I know did not -- well, I don't know -- use their capacity
9 to deliver gas to anybody other than the parties that we've
10 talked about. I mean their -- the only capacity -- let me
11 say it differently. The only capacity that Omega holds is
12 the capacity that it holds to the Fort on MPC. That's not a
13 ** _____ ** agreement. And on the case of MGC per the terms
14 of the tariff it is the ** _____ ** rate that any shipper pays
15 based on a twenty-five percent load factor utilization, which
16 is specifically a provision that's within the tariff, for
17 analyzing whether or not somebody is getting a better rate
18 than somebody else.

19 ** _____
20 _____
21 _____ ** So whether
22 somebody -- and everything else is just based on that
23 particular shipper's requirements and individual needs.

24 Q Did you yourself negotiate those contracts?

25 A Which contracts?

00189

1 Q With Laclede, Ameren, Cuba, St. James?

2 A I believe I'm involved in all contracting of
3 capacity on the pipelines and the discount granted to any
4 party on the pipelines.

5 Q Did the pipelines, do they have a contract with
6 Omega for that capacity? Is there a physical contract?

NP

7 A When you say that capacity.
8 Q For the capacity that Omega holds?
9 A **

10

11

12

**

13

MS. SHEMWELL: Let's go off the record.

14

(Whereupon the proceedings were adjourned to Friday, July 21, 2005, at 9:00 a.m.)

15

16

THE REPORTER: Anyone on the phone that is going to need a copy of the transcript if I could get your name and address.

17

18

19

MR. WOODSMALL: My name is David Woodsmall, Finnegan, Conrad and Peterson. 428 East Capital, Suite 300, Jefferson City, Missouri, 65101.

20

21

22

And you can reach me at (573) 635-2700.

23

24

THE REPORTER: Do you want a full copy or a mini or

25

00190

1

THE REPORTER: Anyone else?

2

Do you want copy?

3

MR. DEFORD: Yes.

4

MR. WOODSMALL: Can I get one electronically, too?

5

6

THE REPORTER: If you can provide me your email,

7

8

9

MR. WOODSMALL: It's dwoodsmall@fcplaw.com.

10

MR. DEFORD: Both.

11

THE REPORTER: I have your address and everything unless you want an email.

12

13

MR. DEFORD: Sure it's real simple. It's

14

pdford@lathropgage.com.

15

16

THE REPORTER: And you need an original and what

17

18

19

MS. SHEMWELL: I'd like a mini.
THE REPORTER: Do you need an email?
MS. SHEMWELL: We prefer it electronically and its

20

lera.shemwell@psc.mo.gov.

21

THE REPORTER: And your address?

22

MS. SHEMWELL: 200 Madison, Jefferson City,

23

Missouri, 65102.

24

THE REPORTER: Phone number?

25

MS. SHEMWELL: (573) 751 7431.

00191

1

(Whereupon there was a discussion held off the record).

2

MS. FISCHER: We do want to do it expedited.

3

THE REPORTER: For what date?

4

MS. FISCHER: The 24th is Monday. How about mid

5

week. What would that be.

6

THE REPORTER: The 26th.

7

MS. FISCHER: So Wednesday the 26th.

8

THE REPORTER: Can we do email on the 26th with hard

9

copy to follow regularly?

10

MS. SHEMWELL: That would be fine. The rest of it

11

can wait until whenever.

12

(Proceedings adjourned)

13

14

15

16

NP

17
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19
20
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23
24
25