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April 1, 2003

FILED³

APR 01 2003

Missouri Public
Service Commission

Mr. Dale Hardy Roberts
Executive Secretary
Missouri Public Service Commission
200 Madison Street, PO Box 360
Jefferson City, MO 65102-0360

RE: In the Matter of the Tariff Filing of Laclede Gas
Company - Case No. GT-2003-0032
Tariff No. JG-2003-0048

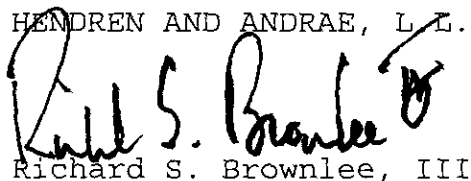
Dear Mr. Roberts:

Enclosed please find the original plus eight (8) copies of
the Supplemental Rebuttal Testimony of Louis R. Ervin for filing
in the above-captioned matter.

If you have any questions concerning the enclosed, please
give me a call. Thank you.

Very truly yours,

HENDREN AND ANDRAE, L.L.C.


Richard S. Brownlee, III

RSB\sa
Enclosures
Public Counsel
General Counsel
All Counsel of Record
Melissa Randol
Louie R. Ervin
Robert McWilliams

FILED³

APR 01 2003

**Missouri Public
Service Commission**

Exh. No. _____
Louie R. Ervin
Supplemental Rebuttal Testimony
MSBA
Case No, GT-2003-0032

**BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Tariff Filing
of Laclede Gas Company

CASE NO.	GT-2003-0032
TARIFF NO.	JG-2003-0048

**SUPPLEMENTAL
REBUTTAL TESTIMONY
OF
LOUIE R. ERVIN**

Exh. No. _____
Louie R. Ervin
Supplemental Rebuttal Testimony
MSBA-Laclede
Case No, GT-2003-0032

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing of Laclede Gas Company	<table><tr><td data-bbox="857 877 1024 909">CASE NO.</td><td data-bbox="1143 877 1341 909">GT-2003-0032</td></tr><tr><td data-bbox="857 915 1024 947">TARIFF NO.</td><td data-bbox="1143 915 1341 947">JG-2003-0048</td></tr></table>	CASE NO.	GT-2003-0032	TARIFF NO.	JG-2003-0048
CASE NO.	GT-2003-0032				
TARIFF NO.	JG-2003-0048				

**SUPPLEMENTAL
REBUTTAL TESTIMONY OF LOUIE R. ERVIN**

- 1 **Q.** Please state your name and business address.
- 2 A. My name is Louie R. Ervin and my business address is 150 First Avenue, NE, Suite 300,
- 3 Cedar Rapids, Iowa 52401.
- 4 **Q.** Are you the same Louie R. Ervin who previously filed testimony in this docket?
- 5 A. Yes.
- 6 **Q.** What is the purpose of you rebuttal testimony?
- 7 A. I am rebutting the testimonies of Thomas M. Imhoff and Michael T. Cline.
- 8 **Q.** What is your position regarding testimony of Thomas M. Imhoff?
- 9

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2 A. I agree with Mr. Imhoff's direct testimony that schools should not be required to take
3 pipeline capacity from Laclede for more than one year and I agree with his supplemental direct
4 testimony that Laclede is in violation of the Stipulation. While schools on the Laclede system
5 have chosen not to participate in the experimental program because of outstanding issues
6 regarding pipeline capacity, that does not excuse Laclede from Stipulation requirements to
7 provide certain information to the parties by March 1, 2003.

8 **Q. Could Laclede have provided any information when no schools participated in the**
9 **program this past winter?**

10 A. Yes. Laclede could have and should have provided information required by the
11 Stipulation. While there were no experimental program revenues and expenses were zero, they
12 should have been reported along with other information required by the Stipulation. Specifically,
13 the Stipulation required Laclede to report by March 1st information including: winter capacity
14 required for the experimental program, the Company algorithm for nominations for the
15 experimental program and documentation supporting the development of the algorithm, school
16 actual usage data, actual monthly degree-day data, information relating to the calculation of
17 pipeline capacity and rates and more. The Stipulation required Laclede to provide data useful
18 and necessary to determine appropriate treatment of capacity costs subsequent to May 31, 2003.
19 Public schools have continued taking sales service pending the outcome of the pipeline capacity
20 issue, but Laclede has not even provided actual past winter usage data for public schools on its
21 system, nor what the capacity amount and costs would have been if the schools had participated
22 in the experimental program. Neither has Laclede provided its algorithm or information
23 supporting it; nor has Laclede provided degree-day data or any other information in the spirit of

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2 the Stipulation to assist the parties in determining the appropriate treatment of capacity costs
3 subsequent to May 31, 2003.

4 **Q. What is your position regarding supplementary testimony of Michael T. Cline?**

5 A. Mr. Cline has not made a case for assignment of any pipeline, much less winter capacity
6 equal to 150% of average daily capacity for January 2001 and summer capacity equal to 88% of
7 average daily capacity for January 2001. Mr. Cline misinterprets the meaning of the Statute.

8 **Q. Why are the 150% winter and 88% summer capacity assignment levels not**
9 **appropriate?**

10 A. While the schools agreed to take capacity assignment from Laclede for May 31, 2003,
11 this was only for interim settlement purposes. Although the Statute does not require regulatory
12 treatment of pipeline capacity for schools to be any different than treatment for large industrial
13 and commercial customers, the schools wanted to get the program started last winter and
14 understood that utilities had already made upcoming winter capacity plans. The schools did not
15 agree to take any capacity from any Missouri utility beyond the first program year. Only Laclede
16 is insisting in its tariff that schools take pipeline capacity assignment for the entire experimental
17 program, through June 30, 2005. Further, assuming 150% winter capacity and 88% summer
18 capacity requirements is in direct conflict with Laclede's tariff where it requires normal-day and
19 peak-day deliveries based on a weather algorithm.

20 **Q. How has Mr. Cline misinterpreted the Statute?**

21 A. Mr. Cline is attempting to tie pipeline capacity assignment to the phrase in the Statute:
22 "will not have any negative impact on the gas corporation, its other customers or the local taxing
23 authorities....". That phrase was never intended to require regulatory treatment of pipeline

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2 capacity for schools to be any different than for large industrial and commercial customers. That
3 phrase was to protect the gas corporation and other customers from paying for incremental
4 administrative aggregation expenses and balancing costs. The Statute specifies that the
5 commission shall determine subsequent aggregation and balancing fees to prevent negative
6 financial impact to Laclede or other customers.

7 **Q. How do you interpret the Statute?**

8 A. I interpret Section 393.310, Paragraph 4 (1) to require a gas corporation's tariffs to allow
9 a school association to negotiate both natural gas supply and transportation contracts with third
10 parties in the same manner as for large transportation customers. Section 393.310 does not, in
11 my opinion, require participating school customers of Laclede to take or pay for any pipeline
12 capacity for any period. Any other interpretation would imply that the legislature intended that
13 schools be unfavorably discriminated against relative to Laclede's large industrial and
14 commercial transportation customers. If schools were required to take and pay for Laclede
15 pipeline capacity for the entire experimental program period at prices in excess of capacity
16 market prices, the fundamental legislative intent of experimenting with small volume
17 transportation would be totally undermined and it would be totally counter to all small volume
18 tariffs that the Commission previously approved for all other Missouri gas corporations. It would
19 also be counter to similar school programs effective in Kansas, Iowa and Illinois for aggregate
20 natural gas transportation, which are the models which gave rise to the Missouri legislation..

21 **Q. How else has Mr. Cline failed to make a case that schools should be required to take**
22 **assignment of Laclede pipeline capacity on MRT?**

Testimony of
Louie R. Ervin

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2 A. First, Laclede has not provided copies of its pipeline contracts. Mr. Cline only says on
3 Page 6 of his supplemental direct testimony that he has reviewed the contracts and his
4 interpretation is that Laclede cannot reduce capacity on any of its pipelines. Those pipeline
5 contracts were requested of Laclede but Laclede never provided them. The Commission and
6 other parties have no evidence to support Mr. Cline's assessment of Laclede's inability to adjust
7 contracted pipeline capacity. Further Mr. Cline ignores the fact that Laclede meets its peak day
8 demand with more than firm pipeline capacity. Laclede has on-system storage, peak-shaving
9 plants, interruptible customers and load management programs to help meet peak day
10 requirements. Further, Mr. Cline fails to demonstrate that Laclede has negligible load growth to
11 absorb contracted capacity. In fact, as I pointed out in my supplemental direct testimony,
12 Laclede's annual reports tout new customer growth.

13 **Q. Does that conclude your supplemental rebuttal testimony?**

14 A. Yes.

Exh. No. _____
Louie R. Ervin
MSBA
Case No. GT-2003-0031

AFFIDAVIT OF LOUIE R. ERVIN

STATE OF IOWA)
) ss.
COUNTY OF LINN)

Louie R. Ervin, of lawful age, on my oath states, that I have participated in the preparation of the foregoing Supplemental Rebuttal in question and answer form, consisting of 5 pages, to be presented in this case; that the answers in the foregoing testimony were given by me; that I have knowledge of the matters set forth in such answers; and that such matters are true to the best of my knowledge and belief.



Louie R. Ervin

Subscribed and sworn to before me this 20th day of March, 2003.



Notary Public

My Commission Expires:

