

Exhibit No.: _____
Issue(s): Alleged Lost Net Sales Margin
Witness/Type of Exhibit: Lafferty/
Cross Surrebuttal
Sponsoring Party: Public Counsel
Case No.: GU-2011-0392

CROSS SURREBUTTAL TESTIMONY

OF

SHAWN LAFFERTY

Submitted on Behalf of the Office of the Public Counsel

MISSOURI GAS ENERGY

CASE NO. GU-2011-0392

November 15, 2011

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

In the Matter of the Application of Missouri)
Gas Energy for the Issuance of an)
Accounting Authority Order Relating to its)
Natural Gas Operations and for a)
Contingent Waiver of the Notice)
Requirement of 4 CSR 240-4.020(2))

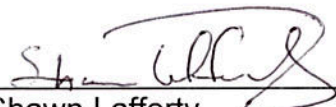
File No. GU-2011-0392

AFFIDAVIT OF SHAWN LAFFERTY

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Shawn Lafferty, of lawful age and being first duly sworn, deposes and states:


1. My name is Shawn Lafferty. I am a Public Utility Accountant III for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my cross surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


Shawn Lafferty
Public Utility Accountant III

Subscribed and sworn to me this 15th day of November 2011.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2013
Cole County
Commission #09754037


Jerene A. Buckman
Notary Public

My Commission expires August 23, 2013.

**CROSS-SURREBUTTAL TESTIMONY
OF
SHAWN LAFFERTY**

**MISSOURI GAS ENERGY
CASE NO. GU-2011-0392**

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Shawn Lafferty, PO Box 2230, Jefferson City, Missouri 65102-2230.

Q. ARE YOU THE SAME SHAWN LAFFERTY THAT HAS PREVIOUSLY FILED
REBUTTAL TESTIMONY IN THIS CASE?

A. Yes.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR CROSS-SURREBUTTAL TESTIMONY?

A. To address the rebuttal testimony of Missouri Public Service Commission Staff
("MPSC Staff" or "Staff") member Mr. Mark Oligschlaeger regarding the alleged
lost margin revenue due to the tornado and whether the alleged lost revenue is
of such magnitude as to materially affect Missouri Gas Energy's ("MGE" or
"Company") financial health.

1 Q. DOES MR. OLIGSCHLAEGER EXPRESS AN OPINION ON WHETHER MGE'S
2 ALLEGED LOST REVENUE WOULD SERIOUSLY IMPAIR MGE'S FINANCIAL
3 HEALTH?

4 A. Yes. On page 14, lines seven through nine, of his rebuttal testimony Mr.
5 Oligschlaeger states:

6 "Nor does the evidence presented to the Staff by MGE in data request
7 responses suggest that the amount of lost revenues is of large enough
8 magnitude to seriously affect MGE's financial health. (Refer to Schedules 3 and
9 4.)"

10
11 Q. DOES THE OFFICE OF THE PUBLIC COUNSEL ("PUBLIC COUNSEL" OR
12 "OPC") AGREE WITH MR. OLIGSCHLAEGER'S POSITION?

13 A. Yes. However, there is some discrepancy in the amount of alleged lost margin
14 revenue that MGE has actually incurred, if in fact the Company has lost any
15 margin revenue since the tornado occurred.

16
17 Q. PLEASE EXPLAIN FURTHER.

18 A. Schedule 4 attached to Mr. Oligschlaeger's rebuttal testimony reflects the
19 following net sales margin (in millions):

20 Three Months Ended 9/30/11	\$46.1
21 Three Months Ended 9/30/10	<u>\$46.5</u>
22 Year-over-Year Change	<u>(\$ 0.4)</u>

23 The above information was provided to Staff in response to MPSC Data Request
24 No. 17 and reflects a year-over-year decline of \$0.4 million for that quarter.

1
2 However in response to OPC Data Request No. 10, MGE provided monthly net
3 sales margin history (see Attachment A). The net sales margin provided to OPC
4 for the same quarterly period reflects a year-over-year increase as follows:

5	Three Months Ended 9/30/11	\$45.9
6	Three Months Ended 9/30/10	<u>\$45.7</u>
7	Year-over-Year Change	<u>\$ 0.2</u>

8 Please see attachment B.

9
10 Q. DOES THE MONTHLY NET SALES MARGIN HISTORY PROVIDED TO OPC
11 REFLECT ANY YEAR-OVER-YEAR REDUCTION IN NET SALES MARGIN
12 SINCE THE MONTH OF MAY, 2011 WHEN THE TORNADO OCCURRED?

13 A. Yes. On a monthly basis, the months of May, July and August 2011 had lower
14 net sales margins than their corresponding months in 2010. However, the
15 months of June and September 2011 had higher net sales margin compared to
16 their corresponding months in 2010. Further, the cumulative net sales margin for
17 the months of May through September 2011 is \$370,873 higher than for the
18 same periods in the prior year. This is also true for the period June through
19 September 2011 when compared to June through September 2010, where net
20 sales margin increased by \$409,119. Please see attachment B.

21
22 Based upon this information, it does not appear that the tornado materially
23 impacted MGE's total net sales margins.

1

2

Q. CAN OPC EXPLAIN THE DISCREPANCY BETWEEN THE NET SALES

3

MARGIN REVENUE PROVIDED TO OPC IN THE MONTHLY HISTORY AND

4

THAT PROVIDED TO THE MPSC STAFF IN QUARTERLY INCOME

5

STATEMENTS?

6

A. No. However OPC has sent a data request to MGE seeking clarification.

7

8

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

9

A. Yes.

10

OPC Cross-Surrebuttal Testimony Attachment A
Missouri Gas Energy
GU-2011-0392

Source of data: Response to OPC Data Request No. 10

Total MGE Net Sales Margin History

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Jan	\$26,311,575	\$19,240,838	\$19,462,003	\$23,679,079	\$17,312,864	\$21,952,793	\$19,476,947	\$19,798,358	\$20,494,256	\$18,412,771
Feb	\$17,357,318	\$21,001,983	\$19,958,115	\$18,477,953	\$18,989,768	\$22,312,510	\$19,633,928	\$18,452,981	\$19,846,314	\$18,412,322
Mar	\$16,748,080	\$15,347,124	\$14,632,061	\$16,380,823	\$16,402,090	\$14,966,150	\$18,436,179	\$17,326,717	\$16,589,627	\$18,131,836
Apr	\$9,562,786	\$9,836,213	\$10,227,305	\$11,859,223	\$10,305,834	\$14,689,447	\$15,760,622	\$15,546,272	\$17,528,460	\$16,639,111
May	\$7,753,300	\$7,765,524	\$7,750,832	\$8,880,120	\$9,554,511	\$14,428,934	\$13,726,239	\$14,023,941	\$16,543,116	\$16,504,869
Jun	\$6,603,463	\$6,908,580	\$7,453,471	\$8,572,808	\$8,547,245	\$13,496,933	\$13,507,151	\$13,581,072	\$15,475,385	\$15,712,636
Jul	\$7,196,593	\$7,137,133	\$7,166,755	\$8,509,983	\$8,219,540	\$13,741,863	\$13,711,208	\$12,978,036	\$14,937,309	\$14,669,883
Aug	\$7,352,882	\$7,320,691	\$6,816,257	\$8,698,308	\$8,749,829	\$13,465,082	\$13,688,729	\$13,601,909	\$16,070,967	\$15,785,080
Sep	\$7,226,643	\$7,760,611	\$7,031,532	\$7,994,090	\$8,708,234	\$12,943,456	\$12,707,767	\$13,563,896	\$14,706,749	\$15,431,931
Oct	\$9,757,176	\$8,770,670	\$9,705,925	\$11,469,081	\$11,840,872	\$14,790,627	\$14,749,660	\$15,055,589	\$16,263,508	not available
Nov	\$14,746,067	\$13,085,187	\$14,562,827	\$14,015,761	\$14,911,789	\$17,506,831	\$17,117,940	\$16,415,802	\$17,742,663	not available
Dec	\$16,678,875	\$16,245,507	\$19,547,582	\$24,893,838	\$18,200,118	\$16,365,321	\$19,263,867	\$18,967,717	\$18,196,939	not available

Southern Region Only (Location 05, 08)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Jan	not available	\$2,658,374	\$2,441,763	\$2,978,072	\$2,664,297	\$2,807,124	\$2,876,938	\$2,862,224	\$3,002,702	\$2,600,806
Feb	not available	\$2,791,944	\$2,657,120	\$2,799,017	\$2,556,733	\$3,287,975	\$2,933,195	\$2,735,775	\$2,831,232	\$2,595,499
Mar	not available	\$2,531,625	\$2,305,448	\$2,404,104	\$2,328,646	\$2,371,256	\$2,685,373	\$2,440,961	\$2,470,227	\$2,498,178
Apr	not available	\$1,710,395	\$1,644,104	\$1,834,180	\$1,698,670	\$1,941,029	\$2,272,592	\$2,230,577	\$2,404,496	\$2,399,556
May	not available	\$1,237,713	\$1,254,075	\$1,420,589	\$1,287,524	\$2,020,665	\$2,053,393	\$2,000,056	\$2,308,957	\$2,314,848
Jun	not available	\$1,044,501	\$1,086,146	\$1,178,088	\$1,187,154	\$1,948,026	\$1,945,241	\$1,925,010	\$2,264,730	\$2,178,530
Jul	\$983,360	\$1,058,967	\$1,084,064	\$1,133,704	\$1,151,411	\$1,922,056	\$1,912,373	\$1,893,868	\$2,240,337	\$2,087,444
Aug	\$975,855	\$1,035,651	\$1,079,545	\$1,117,629	\$1,119,185	\$1,908,090	\$1,897,708	\$1,880,704	\$2,220,789	\$2,092,421
Sep	\$963,052	\$1,018,643	\$1,060,232	\$1,128,324	\$1,134,210	\$1,909,138	\$1,908,276	\$1,886,568	\$2,224,811	\$2,114,041
Oct	\$1,023,555	\$1,028,657	\$1,160,092	\$1,188,643	\$1,246,229	\$1,916,804	\$1,919,455	\$1,946,830	\$2,237,744	not available
Nov	\$1,469,473	\$1,197,682	\$1,535,525	\$1,544,349	\$1,764,770	\$2,081,928	\$2,129,675	\$2,092,991	\$2,320,772	not available
Dec	\$2,180,997	\$1,865,327	\$2,437,306	\$2,643,128	\$2,423,773	\$2,553,329	\$2,661,809	\$2,581,383	\$2,503,018	not available

OPC Cross-Surrebuttal Testimony Attachment B
Missouri Gas Energy
GU-2011-0392

Source of data: Response to OPC Data Request No. 10

Total MGE Net Sales Margin History

	2010	2011
Jan	\$20,494,256	\$18,412,771
Feb	\$19,846,314	\$18,412,322
Mar	\$16,589,627	\$18,131,836
Apr	\$17,528,460	\$16,639,111
May	\$16,543,116	\$16,504,869
Jun	\$15,475,385	\$15,712,636
Jul	\$14,937,309	\$14,669,883
Aug	\$16,070,967	\$15,785,080
Sep	\$14,706,749	\$15,431,931
Oct	\$16,263,508	not available
Nov	\$17,742,663	not available
Dec	\$18,196,939	not available

Net Sales Margin: Three Months Ended 9/30

Q3 2011	\$45,886,893
Q3 2010	\$45,715,025
Change	<u>\$171,868</u>

Year-over-Year Same Month Change Since Tornado

	2011 to 2010
May	(\$38,247)
June	\$237,251
July	(\$267,427)
August	(\$285,887)
September	\$725,182

Cumulative Net Sales Margin Comparison

	2011	2010	Change
May - Sept	\$78,104,399	\$77,733,526	\$370,873
June - Sept	\$61,599,529	\$61,190,410	\$409,119