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Witness: *Paul R. Harrison*
Sponsoring Party: *MoPSC Staff*
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Case No.: *GU-2007-0480*
Date Testimony Prepared: *June 18, 2008*

MISSOURI PUBLIC SERVICE COMMISSION
UTILITY SERVICES DIVISION

DECLASSIFIED REBUTTAL TESTIMONY

OF

PAUL R. HARRISON
(PREVIOUSLY FILED ON JUNE 18, 2008)

**MISSOURI GAS ENERGY,
A DIVISION OF SOUTHERN UNION COMPANY**

CASE NO. GU-2007-0480

Jefferson City, Missouri
July 22, 2008

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

~~Staff~~ Exhibit No. 7 NP
Case No(s) GU-2007-0480
Date 8-11-08 Rptr kr

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PAUL R. HARRISON
MISSOURI GAS ENERGY,
A DIVISION OF SOUTHERN UNION COMPANY
CASE NO. GU-2007-0480

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1 **EXECUTIVE SUMMARY**

2 Q. Please summarize your rebuttal testimony in this proceeding.

3 A. The purpose of my rebuttal testimony is to recommend the Commission deny
4 MGE's request for an AAO to defer its MGP costs. In addition, I will respond to the direct and
5 supplemental direct testimony of Missouri Gas Energy (MGE) witness Michael R. Noack, and
6 the direct testimony of MGE witness Crystal Callaway, that were filed in support of MGE's
7 request for an AAO in this proceeding.

8 **HISTORY OF MGE'S MGP AAO REQUEST**

9 Q. Please summarize the history of this case up to the date of this testimony filing.

10 A. On June 13, 2007, MGE filed an Application with the Commission for an
11 AAO request authorizing the deferral of costs relating to its environmental costs associated
12 with its former MGP sites. On September 7, 2007, the Staff filed its Memorandum
13 of Recommendation (Recommendation) concerning MGE's AAO request. A
14 prehearing/settlement conference in this proceeding was ordered by the Commission on
15 October 10, 2007 and this conference was held on October 24, 2007. As the parties to this
16 proceeding could not agree to a negotiated resolution of this case, a procedural schedule
17 providing for submittal of pre-filed testimony and setting hearing dates was issued by the
18 Commission on April 17, 2008.

19 **DEFINITION OF MGP COSTS**

20 Q. Please define "manufacturing gas plant costs."

21 A. "MGP costs" can be defined as all costs relating to investigation, testing, land
22 acquisition if appropriate, remediation and/or litigation, and expenses or other liabilities,

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1 excluding personal injury claims, specifically relating to gas manufacturing facility sites,
2 disposal sites, or sites to which material may have migrated, as a result of the operation or
3 decommissioning of gas manufacturing facilities.

4 Q. Why is the Company potentially liable to incur MGP cleanup expenditures?

5 A. To deal with the contamination and cleanup problems presented by abandoned
6 and/or inactive hazardous waste sites, Congress in 1980 enacted the
7 Comprehensive Environment Compensation and Liability Act (CERCLA or Superfund).
8 CERCLA provided funding and enforcement authority to the Environmental Protection
9 Agency (EPA) to enable it to respond to hazardous substance releases and to enable the EPA
10 to undertake or regulate the cleanup of those hazardous sites where owners/operators were
11 either without resources or unwilling to implement such cleanups.

12 In 1986, CERCLA was amended by the Superfund Amendments and Reauthorization
13 Act (SARA), which intensified Superfund activities and set a goal of achieving "permanent"
14 solutions at Superfund sites. CERCLA imposes strict, joint, and several liabilities on present
15 or former owners or operators of facilities where substances have been or are threatened to be
16 released into the environment. Potential responsible parties (PRPs) include owners of
17 contaminated land from point of contamination to date, operators (which is interpreted as any
18 party that had possession, control, or influence over the premises during the same period),
19 transporters, and generators of the contaminants regardless of whether they directly released
20 such substances into the environment.

21 Q. For how many Missouri MGP sites are Southern Union/MGE considered a
22 PRP under CERCLA?

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1 A. Southern Union has recognized that it currently has ownership interests in
2 six sites in Missouri in MGE's service territory that could require potential responsibility for
3 cleanup efforts. In addition to the currently owned sites, Southern Union has identified
4 fourteen unowned facilities for which it (and/or MGE) may or may not be a PRP under the
5 Superfund statute.

6 Q. Has MGE's liability for the above mentioned sites been determined?

7 A. No. On page 4, lines 5-6, of Company witness Noack's direct testimony, he
8 states that "MGE estimates that the cost of the MGP investigation, assessment and likely
9 remediation efforts for the Kansas City and St. Joseph sites will exceed several
10 million dollars". However, in the Company's responses to Staff data requests, the Company
11 states no final determination has been made for MGE's liability of the above-mentioned sites.
12 MGE goes on to state such determinations are typically made through the litigation or
13 settlement process in the event remediation is necessary at a given site and, if MGE is held
14 responsible for a given site, MGE will pursue recovery from available PRPs,
15 insurance proceeds or Western Resources, Inc, (WRI), the former owner of MGE's properties
16 in Missouri.

17 **COMMISSION REQUIREMENTS FOR DEFERRAL OF COSTS**

18 Q. In Mr. Noack's testimony page 3, lines 4-7, he states that an expense must
19 meet Commission requirements of being extraordinary, unusual or unique before an AAO will
20 be granted deferral action. Do you agree with that statement?

21 A. Yes. However, the Commission has expressed additional requirements besides
22 the ones identified above by Mr. Noack before an AAO is granted. The Commission
23 established its standards for deferral of costs incurred outside of a rate case test year in its

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1 Report and Order in Case Nos. EO-91-358 and EO-91-360, applications filed by
2 Missouri Public Service, a division of UtiliCorp United, Inc. (now Aquila, Inc.). In this
3 Order, the Commission expressed its position that costs incurred outside of a rate case
4 test year should be allowed only on a limited basis:

5 The deferral of costs from one period to another period for the
6 development of a revenue requirement violates the traditional
7 method of setting rates... Under historical test year ratemaking,
8 costs are rarely considered from earlier than the test year to
9 determine what is a reasonable revenue requirement for the
10 future. Deferral of costs from one period to a subsequent
11 rate case should be allowed only on a limited basis. [Order,
12 pages 6-7.]

13 In the Standards for Deferral section of this Order, the Commission described the
14 following criteria for allowing utility companies to defer costs incurred outside of a rate case
15 test year as a regulatory asset:

- 16 1. Events occurring during a period that are extraordinary, unusual and
17 unique, and not recurring; and
- 18 2. The costs associated with the material event are material.

19 These criteria, as they apply to MGE's AAO request, will be addressed below.
20 However, before concluding whether or not MGE's MGP costs in this case have met these
21 criteria, a brief review of how the Federal Energy Regulatory Commission (FERC)
22 Uniform System of Accounts (USOA) defines the term "extraordinary items" in
23 General Instruction No. 7 may be helpful. The FERC USOA for natural gas utilities reads as
24 follows:

25 Extraordinary items. It is the intent that net income shall reflect
26 all items of profit or loss during the period with the exception of
27 prior period adjustments as described in paragraph 7.1 and
28 long-term debt as described in paragraph 17. Those items
29 related to the effects of events and transactions which have
30 occurred during the current period and which are of unusual
31 nature and infrequent occurrence shall be considered

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1 extraordinary items. Accordingly, they will be events and
2 transactions of significant effect which are abnormal and
3 significantly different from the ordinary and typical activities of
4 the company, and which would not reasonably be expected to
5 recur in the foreseeable future. (In determining significance,
6 items should be considered individually and not be in the
7 aggregate. However, the effects of a series of related
8 transactions arising from a single specific and identifiable event
9 or plan of action should be considered in the aggregate.) To be
10 considered as extraordinary under the above guidelines, an item
11 should be more than approximately 5 percent of income,
12 computed before extraordinary items. Commission approval
13 must be obtained to treat an item of less than 5 percent, as
14 extraordinary.

15 The remainder of this testimony will discuss the reasons the Staff believes that
16 MGE's request to defer its environmental costs does not meet the Commission's traditional
17 standard for deferral of costs. In the event the Commission should choose to grant
18 MGE's deferral request, the Staff will also suggest conditions to be placed upon any such
19 approval.

20 **ARE MGE'S MGP COSTS UNIQUE AND UNUSUAL?**

21 Q. Are MGE's MGP costs unique and unusual in nature?

22 A. No. As a natural gas local distribution company (LDC), it should not be
23 considered unusual and/or unique for MGE to experience environmental remediation costs,
24 such as costs to clean up former MGP sites. Many natural gas distribution and
25 electric utilities throughout the United States are incurring MGP-related costs, including
26 LDCs owned and operated by Southern Union in other states. In Missouri alone, all of the
27 major gas LDCs have incurred MGP-related costs in the past, including Laclede Gas
28 Company, United Cities Gas Company, AmerenUE Gas and the Missouri Public Service
29 division of Aquila, Inc. (now The Empire District Gas Company), in addition to MGE.

DOES MGE FREQUENTLY INCUR MGP COSTS?

Q. Are MGE's MGP-related costs infrequent in occurrence?

A. No. Southern Union has been aware of the existence of potentially significant MGP costs associated with the Missouri gas properties it purchased from WRI since at least early 1994. In fact, a review of the invoices from environmental contractors and consultants received in response to data requests in this proceeding show that MGE has been experiencing MGP costs each and every year since it came into existence in 1994. The Staff's highly confidential work paper that shows MGE's MGP costs per year is attached as Schedule 3 to this testimony.

Not only has MGE been incurring MGP-related costs for more than ten years, its own assertions in its Application, direct testimony and workpapers show that it is likely that it will continue to incur these costs for the foreseeable future. Additionally, MGE's response to Data Request No. 4, included references to 2007 and 2008 budgeted amounts of \$571,950 and \$3,734,275 respectively, for MGP related costs. The fact that the Company is attempting to budget for its MGP costs in itself is an indicator that MGE's MGP costs are not infrequent in nature.

Nor does MGE's Application or direct testimony explain why its future MGP costs will not continue to be largely reimbursable from third parties, as its past MGP costs have been. As such, these costs do not in any way meet the Commission's non-recurring or "infrequency of occurrence" criteria. Given the nature of the industry in which MGE operates, as well as MGE's prior experience with MGP costs, the Staff does not consider environmental costs, such as its MGP costs, to be unusual in nature for MGE.

1 The Staff agrees with the findings of the Accounting Principles Board in its
2 APB Bulletin No. 30 where the Board stated "An event or transaction of a type that occurs
3 frequently in the environment in which the entity operates cannot, by definition, be considered
4 as extraordinary, regardless of its financial effect."

5 **IS MGE'S LEVEL OF UNREIMBURSED MGP COSTS MATERIAL?**

6 Q. What is the Environmental Liability Agreement?

7 A. In 1994, Southern Union and WRI entered into an Environmental Liability
8 Agreement (ELA) which provided for an allocation of future responsibility for certain known
9 or potential environmental costs between the two entities. Within the ELA, Southern Union
10 agreed to take responsibility for the first \$3 million of incurred environmental costs after it
11 assumed ownership of its Missouri properties.

12 The ELA established a five-tier approach for establishing responsibility for recovery
13 of all environmental costs associated with MGE properties. The agreement contemplates
14 Southern Union first seeking reimbursement from insurance carriers for these expenditures;
15 second, through other PRPs; and third, through rates charged to customers. Then, for any
16 remaining un-recovered environmental costs, Southern Union would be responsible for the
17 first \$3,000,000 of such costs and, finally, WRI would share one-half of the next \$15,000,000
18 of any such remaining costs and expenses.

19 Q. How does MGE intend to treat its initial \$3 million liability for
20 environmental costs under the ELA for rate purposes?

21 A. MGE has indicated to the Staff that it does not intend to charge customers for
22 costs covered by the \$3,000,000 liability amount, or to defer costs under this Application that
23 would be covered by this ELA provision. The highly confidential ELA was attached as

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1 Schedule 2 to the Staff's previously filed Recommendation and is also attached as
2 Schedule MRN-1 to Mr. Noack's direct testimony in this proceeding.

3 Q. What has been the total costs incurred to date by MGE for MGP clean-up
4 costs, and what amount of those costs have been reimbursed to MGE?

5 A. Based on the documents received in response to data requests in this case, the
6 Staff calculated that over the period 1994 through March 31, 2008, MGE
7 incurred \$11,463,917 in environmental costs, the bulk of which is related to its MGP
8 properties. In comparison, MGE has recovered total MGP reimbursements of
9 \$8,345,088 through insurance claims and other payments from PRPs. Additionally, MGE has
10 incurred \$727,995 of costs related to non-MGP related environmental clean-up and
11 remediation expenditures in which they are not seeking re-imbursement or deferral treatment
12 in this Application.

13 Q. What do these cost totals represent?

14 A. They demonstrate that MGE has claimed to be reimbursed for the large
15 majority of its incurred MGP related costs since 1994 (a net balance of \$3,118,829 in un-
16 reimbursed MGP costs). However, it must be remembered that MGE has committed not to
17 seek recovery from ratepayers of MGP costs in an amount equal to its initial liability under
18 the ELA, or \$3 million dollars. MGE has also committed not to seek recovery from
19 ratepayers of non-MGP costs in an amount of \$727,995. When these amounts are
20 appropriately taken into account, the Staff believes that MGE has yet to incur a positive
21 amount of MGP costs in excess of its reimbursements chargeable to customers. In other
22 words, as of March 31, 2008, the Staff believes that MGE has received or has chosen to retain
23 an excess of at least \$609,166 in MGP recoveries and liability retention over the amount of its

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1 incurred expenses. The Staff's highly confidential workpaper that provides the
2 Staff's quantification of MGE's MGP expenditures and recoveries/reimbursements up
3 through March 31, 2008, and that supports the Staff's calculations described above, is
4 attached as Schedule 2.

5 Q. Are MGE's un-reimbursed MGP costs material or significant enough to distort
6 MGE's net income?

7 A. No. In MGE's last rate case, No. GR-2006-0422, the Staff's last calculation of
8 the amount of MGE's net operating income on an adjusted basis was \$36,123,186. For
9 comparison purposes, during the same time period, as discussed previously MGE did not
10 incur any MGP costs for which it was not reimbursed through insurance carriers or by other
11 PRPs, or covered by its initial ELA liability of \$3,000,000 . (The same point is true for the
12 entire period of 1994 through March 2008.) Obviously, MGE's current and past levels of
13 un-reimbursed MGP costs do not meet the 5% net income materiality level used by the FERC,
14 and MGE's past and current level of un-reimbursed MGP costs certainly do not "significantly
15 distort" MGE's current and past year's net income levels.

16 Even if MGE's environmental clean-up costs were to be considered to be
17 extraordinary in nature, deferral authority should not be granted unless the costs are actually
18 material in nature as well. The Staff believes that materiality should not be judged based
19 upon projected or budgeted future cost levels. It is only appropriate to grant deferral requests
20 per AAO applications when the extraordinary event in question has actually occurred or is
21 certain of occurring, and the financial impact on the utility can be quantified with a high
22 degree of accuracy. In MGE's direct testimony in this proceeding, MGE witness Callaway
23 freely admits that it is "not possible to predict the timing and magnitude of MGP investigation

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1 at this time.” Ms. Callaway’s testimony goes on to indicate that there is uncertainty as to the
2 ultimate costs of the remediation efforts [Callaway, direct p. 7]. Without an examination of
3 actual incurred expenses by a utility, it is not possible to judge whether the costs of a
4 particular event or series of events can be handled through normal accounting and rate
5 practices, or whether treatment as an extraordinary item is justified.

6 The Commission itself has indicated that deferral treatment should not be granted to
7 speculative expense amounts associated with events whose occurrence or timing is uncertain.
8 In its Report and Order in Case Nos. EO-91-358 and EO-91-360, the Commission stated:

9 The Commission agrees with Staff that whether the event has
10 occurred or is certain to occur in the near future is a relevant
11 factor. Utilities should not seek deferral of speculative events
12 since it is hard to determine whether an event is extraordinary or
13 material unless there is a high probability of its occurring within
14 the near future. [Order, pages 8-9.]

15 MGE’s Application and direct testimony does not provide any evidence that
16 MGP clean-up costs are certain of occurring within the near future, nor does it assert that the
17 financial impact of these events, when and if they incur, are capable of being accurately
18 quantified at this time. Given the uncertain and speculative nature of MGE’s future
19 environmental cost levels at this time, MGE’s instant Application is clearly premature.

20 Q. Are there any other reasons why the Staff is opposed to MGE’s proposed
21 AAO?

22 A. Yes. As previously discussed, MGE has the opportunity to seek recovery from
23 WRI of a portion of its incurred MGP costs under the terms of the ELA. To date, MGE has
24 not obtained any such recovery from WRI, and its ability to do so will expire in early 2009.
25 The Staff asserts that this Commission should refuse to defer or to allow rate recovery of any
26 environmental costs that otherwise would be recoverable from WRI by MGE.

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1 Furthermore, in reference to the ELA, the Staff is concerned with how the ELA
2 between WRI and Southern Union may be viewed by parties in future proceedings if this
3 AAO is approved. Specifically, if MGE has recovered all costs from three of the four tiers
4 (insurance, PRPs and the \$3,000,000 initial liability, as referenced in the Agreement) and is
5 allowed by the Commission to defer all remaining MGP costs for potential recovery in its
6 next rate case, can this action be interpreted as explicitly or implicitly relieving WRI from its
7 legal liability for its share of the remaining costs?

8 **STAFF RECOMMENDATION**

9 Q. What recommendations does the Staff make to the Commission concerning
10 MGE's MGP AAO request?

11 A. As described above, the Staff believes that MGE's MGP costs are not
12 extraordinary in nature, nor are its current level of incurred un-reimbursed MGP costs
13 material. For these reasons, the Staff asserts this Application does not meet the
14 Commission's past standards for AAO approval. Therefore, the Staff recommends that the
15 Commission reject MGE's AAO Application in this case.

16 Many of the Commission's previous authorizations for deferral of costs contained a
17 time limit requiring the utilities to file a rate case within a period of time, or to write-off the
18 deferrals if a rate case was not filed. In fact, most, if not all, deferrals allowed by the
19 Commission through AAO applications have contained a similar rate case filing requirement.
20 The Commission's rationale for such a limit was discussed in the Order for Case Nos.
21 EO-91-358 and EO-91-360:

22 The Commission finds that a time limitation on
23 deferrals is reasonable since deferrals cannot be allowed to
24 continue indefinitely. The Commission finds that a rate case

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1 must be filed within a reasonable time after the deferral period
2 for recovery of the deferral to be considered... The limitation
3 accomplishes two goals. First, it prevents the continued
4 accumulation of deferred costs so that total disallowance would
5 not affect the financial integrity of the company or the
6 Commission's ability to make the disallowance; and secondly,
7 it ensures the Commission a review of those costs within a
8 reasonable time. If the costs are truly extraordinary, recovery in
9 rates should not be delayed indefinitely. A utility should not be
10 allowed to save deferrals to offset against excess earnings in
11 some future period. [Pages 8-9.]

12 In the event the Commission should decide to issue the requested AAO to MGE, the
13 Staff recommends the Commission include the above standard language in the ordered section
14 of the AAO. This language should include the requirement the AAO would become null and
15 void in the event MGE does not file tariff sheets proposing a general increase in rates within
16 twenty-four (24) months from the effective date of this order, and state that granting this AAO
17 would have no effect on the subsequent ratemaking treatment of the deferred costs.

18 In addition, MGE has the right to seek recovery from WRI of 50% of its incurred
19 MGP costs under the terms of the ELA. To date, MGE has not obtained any such recovery
20 from WRI, and its ability to do so will expire in early 2009. Therefore, any deferral authority
21 granted to MGE should be limited to 50% of its incurred MGP costs that would be eligible for
22 sharing with WRI under the ELA. This condition is appropriate to make clear that MGP costs
23 should only be deferred for potential future recovery from MGE ratepayers after the Company
24 has made every effort to recover those costs from other PRPs. Furthermore, if the
25 Commission issues the requested AAO to MGE, the Staff recommends that the deferral
26 authority be specifically limited to MGE's un-reimbursed incurred costs associated with
27 former MGP sites, and not any other type of environmental remediation costs it may incur.

28 Furthermore, the legal firms hired by Southern Union in the past to work on
29 Missouri MGP related activities have also performed services for Southern involving other

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1 types of legal work and work related to MGP costs incurred in other jurisdictions. Because of
2 this fact, and because legal fees have represented a substantial portion of MGE's incurred
3 MGP costs to date, the Staff requests that the Commission order MGE to require of its legal
4 consultants to include a specific description of the type of work performed for each hour on
5 each invoice presented for costs deferred under this AAO.

6 Should the Commission approve this AAO request, the Staff recommends the
7 Commission include the following language in its "Ordered" section of the AAO:

8 1. That MGE is authorized to defer up to 50% of its un-reimbursed
9 MGP expenditures that it incurs eligible for potential sharing with WRI under the ELA, and
10 100% of its un-reimbursed MGP expenditures not eligible for sharing under the ELA to
11 Account 182.3, Other Regulatory Assets, beginning the following month following
12 Commission approval of this AAO, and continuing through the earlier of 24 months from the
13 effective date of this order or the end of the Commission-ordered test year as updated, or
14 true-up period in MGE's next rate case. MGE should immediately reflect as a credit to the
15 deferral any recoveries accrued on its or Southern Union's books and records or received
16 from insurance carriers or other third parties relating to MGP costs previously deferred. In
17 the event MGE fails to file a general rate case within 24 months of the effective date of this
18 order, the deferral authority granted within this order related to MGP costs shall be null and
19 void, and MGE shall immediately write-off the entire amount of previously booked deferrals
20 to income.

21 2. That nothing in this order shall be considered a finding by the Commission of
22 the reasonableness of the costs and/or expenditures deferred, and the Commission reserves the

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1 right to consider the ratemaking treatment to be afforded all deferred costs and/or
2 expenditures, including the recovery of carrying costs, if any.

3 3. That MGE is hereby directed to maintain detailed supporting records,
4 work papers, invoices and other documents to support the amount of costs deferred under this
5 AAO, including any related deferred taxes recorded as a result of the cost deferral.
6 In addition, MGE shall provide detailed documentation, including a complete description of
7 the type of work performed, specific MGP site and time spent for each invoice submitted for
8 all legal expenses deferred under this AAO.

9 Q. Does this conclude your rebuttal testimony?

10 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Missouri Gas)
Energy, a division of Southern Union Company, for)
an Accounting Authority Order Concerning)
Environmental Compliance Activities)

Case No. GU-2007-0480

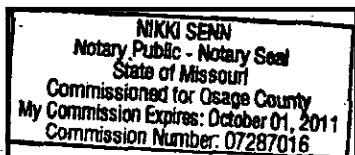
AFFIDAVIT OF PAUL R. HARRISON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Paul R. Harrison, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 15 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


Paul R. Harrison

Subscribed and sworn to before me this 17th day of June, 2008.




Notary Public

Missouri Gas Electric (MGE)

GU-2007-0480

Education, Background and Case Participation

Paul R. Harrison

I am a Utility Regulatory Auditor for the Missouri Public Service Commission (PSC or Commission).

I graduated from Park College, Kansas City, Missouri, where I earned a Bachelor of Science degree in Accounting and Management in July of 1995. I also earned an Associate degree in Missile Maintenance Technology from the Community College of the Air Force in June 1990.

Prior to coming to work at the Commission, I was the manager for Tool Warehouse Inc. for four and one-half years. As the manager, I supervised eight sales representatives and managed merchandise and inventory in excess of \$1.5 million.

Prior to that, I was in the United States Air Force (USAF) for 23 years. During my career in the USAF, I was assigned many different duty positions with varying levels of responsibility. I retired from active duty on May 1, 1994 as Superintendent of the 321st Strategic Missile Wing Missile Mechanical Flight. In that capacity, I supervised 95 missile maintenance technicians and managed assets valued in excess of \$50 million.

My duties at the Commission include performing audits of the books and records of regulated public utilities under the jurisdiction of the PSC, in conjunction with other Commission Staff (Staff) members. Acting in that capacity, I am also required to prepare testimony and serve as a Staff expert witness on cases involving the ratemaking issues that I am assigned.

In conjunction with other members of the Staff, I examine information provided by the Company in response to Staff data requests, portions of the Company's general ledger, other Company financial and statistical reports, as well as workpapers supplied by the utilities to support their case filings.

I have performed duties as a Utility Regulatory Auditor within the Auditing Department at the Commission since January 18, 2000. In addition to acquiring general

knowledge of these topics through my education, I've acquired experience in prior rate cases before the Commission as well as through formal and informal training.

I attended the National Association Regulatory Utilities Commissioner's (NARUC) Water Rate School in San Diego, California in May of 2000. I also attended NARUC's "On The Missouri" 2003 seminar conducted in Jefferson City, Missouri in January 2003.

I have successfully completed each of my assigned issues, as listed in the Schedule below, and have had the opportunity to interact with other auditors concerning these and other issues that involve the Auditing Department of the Commission.

I have attended in-house training classes, reviewed Auditing Department position papers, training manuals and technical manuals pertaining to the ratemaking issues in this and other cases.

I have reviewed the Commission's Report and Orders, testimony and transcripts of cases filed by this and other utilities within the jurisdiction of this Commission.

The Schedule below lists the cases in which I filed testimony, the issues that I have been assigned to and the small informal cases that I have completed.

CASE PROCEEDING/PARTICIPATION

PAUL R. HARRISON

<u>COMPANY</u>	<u>CASE NO.</u>	<u>TESTIMONY/ISSUES</u>
SUMMARY OF FORMAL CASES ASSIGNED		
Laclede Gas Company		In Progress Investigation of Affiliated Transactions, Corporate Allocations & Appropriate Time Charges Between Laclede's Regulated & Unregulated Subsidiaries
Missouri Gas Energy	GU-2007-0480	In Progress Memorandum – AAO Manufactured Gas Plant
Missouri Gas Utility	GR-2008-0060	February 2008 Cost of Service Report- Revenue Requirement Run (EMS) Merger & Acquisition Costs (Start-Up Costs); Corporate Allocations; Income Taxes & Deferred Taxes

<u>COMPANY</u>	<u>CASE NO.</u>	<u>TESTIMONY/ISSUES</u>
Laclede Gas Company	GR-2007-0208	<p>May 2007</p> <p>Direct- Affiliated Operations; HVAC and Home Sale Inspections; Injuries and Damages; Insurance; 401(k) Expenses; Pensions and OPEBS; Non-Qualified Pension Plan Expenses; and Income Taxes</p> <p>True Up – Pensions& OPEBS; Non -Qualified Pension Plan Expense; Income Taxes</p>
Missouri Gas Energy	GR-2006-0422	<p>November 2006</p> <p>Rebuttal- Environmental Response Fund, Manufactured Gas Plant</p> <p>Litigated- Manufactured Gas Plant</p>
Missouri Gas Energy	GR-2006-0422	<p>October 2006</p> <p>Direct– Revenues; Purchased Gas Adjustments; Bad Debt Expense; ECWR AAO Bad Debt: Rent; Pensions & OPEBS; Income Taxes; Franchise Taxes; Manufactured Gas Plant, and Case Reconciliation</p> <p>Litigated- Emergency Cold Weather Rule</p> <p>True-Up - Revenues; Bad Debt Expense; Pensions & OPEBS; Income Taxes</p>
The Empire District Electric Company	ER-2006-0315	<p>July 2006</p> <p>Rebuttal- Storm Damage Tracker</p>
The Empire District Electric Company	ER-2006-0315	<p>June 2006</p> <p>Direct- Tree Trimming Expense and Construction Over-Run Costs</p>
Missouri Pipeline & Missouri Gas Company LLC	GC-2006-0378	<p>November 2006</p> <p>Plant in Service, Depreciation Reserve, Depreciation Expense, Transactions & Acquisition Costs and Income Taxes</p>

<u>COMPANY</u>	<u>CASE NO.</u>	<u>TESTIMONY/ISSUES</u>
New Florence Telephone Company	TC-2006-0184	<p>October 2006</p> <p>Plant in Service; Depreciation Reserve; Depreciation Expense; Plant Overage; and Materials & Supplies</p>
Cass County Telephone Company	TC-2005-0357	<p>July 2006</p> <p>Plant in Service; Depreciation Reserve; Depreciation Expense; Plant Overage; Plant Held for Future Use and Missouri Universal Service Fund</p>
Cass County Telephone Company & New Florence Telephone Company Fraud Investigation Case	TO-2005-0237	<p>May 2006</p> <p>Fraud Investigation case involving Cass County Telephone and New Florence Telephone</p>
Missouri Gas Energy	GR-2004-0209	<p>June 2004</p> <p>Surrebuttal - Revenues and Bad Debt Expense</p> <p>True-Up - Revenues; Bad Debt Expense; Income Taxes</p>
Missouri Gas Energy	GR-2004-0209	<p>May 2004</p> <p>Rebuttal - Revenues; Bad Debt Expense; and Manufactured Gas Plant</p> <p>Litigated- Manufactured Gas Plant</p>
Missouri Gas Energy	GR-2004-0209	<p>April 2004</p> <p>Direct - Revenues; Purchased Gas Adjustments; Bad Debt Expense; Medical Expense; Rents; and Income Taxes</p>

<u>COMPANY</u>	<u>CASE NO.</u>	<u>TESTIMONY/ISSUES</u>
Union Electric Company d/b/a AmerenUE (Gas)	GR-2003-0517	<p>October 2003</p> <p>Direct – Corporate Allocations; UEC Missouri Gas Allocations; CILCORP Allocations; Rent Expense; Maintenance of General Plant Expense; Lease Agreements; and Employee Relocation Expense</p>
Union Electric Company d/b/a AmerenUE	EC-2002-1	<p>June 2002</p> <p>Surrebuttal - Coal Inventory; Venice Power Plant Fire; Tree Trimming Expense; and Automated Meter Reading Service</p>
Laclede Gas Company	GR-2002-356	<p>June 2002</p> <p>Direct - Payroll; Payroll Taxes; 401k Pension Plan; Health Care Expenses; Pension Plan Trustee Fees; and Clearing Account:</p> <p>True- Up – Payroll; Payroll Taxes; and Clearing Accounts</p>
Union Electric Company d/b/a AmerenUE (2 nd period, 3 rd EARP)	EC-2002-1025	<p>April 2002</p> <p>Direct - Revenue Requirement Run; Plant in Service; Depreciation Reserve; Other Rate Base items; Venice Power Plant Fire expenditures; Tree Trimming Expense; and Coal Inventory</p>
<p>2nd Complaint Case, Union Electric Company d/b/a AmerenUE</p> <p>New Test Year ordered by the Commission.</p>	EC-2002-1	<p>March 2002</p> <p>Direct - Materials and Supplies; Prepayments; Fuel Inventory; Customer Advances for Construction; Customer Deposits; Plant in Service; Depreciation Reserve; Venice Power Plant Fire Expenditures; Tree-Trimming Expense; Automated Meter Reading Expense; Customer Deposit Interest Expense; Year 2000 Computer Modification Expense; Regulatory Advisor's Consulting Fees; and Property Taxes</p> <p>Deposition – April 11, 2002</p>

<u>COMPANY</u>	<u>CASE NO.</u>	<u>TESTIMONY/ISSUES</u>
1 st Complaint Case, Union Electric Company d/b/a AmerenUE	EC-2002-1	<p>July 2001</p> <p>Direct - Materials and Supplies; Prepayments; Fuel Inventory; Customer Advances for Construction; Customer Deposits; Plant in Service; Depreciation Reserve; Power Plant Maintenance Expense; Tree-Trimming Expense; Automated Meter Reading Expense; Customer Deposit Interest Expense; Year 2000 Computer Modification Expense; Computer Software Expense; Regulatory Advisor's Consulting Fees; Board of Directors Advisor's Fees and Property Taxes.</p> <p>Deposition – November 27 2001</p>
Union Electric Company d/b/a AmerenUE (2 nd period, 2 nd EARP)	EC-2001-431	<p>February 2001</p> <p>Coal Inventory</p>
Union Electric Company d/b/a AmerenUE (Gas)	GR-2000-512	<p>August 2000</p> <p>Direct - Cash Working Capital; Advertising Expense; Missouri PSC Assessment; Dues and Donations; Automated Meter Reading Expenses; Computer System Software Expenses (CSS); Computer System Software Expenses (Y2K); Computer System Software Expenses (EMPRV); Generation Strategy Project Expenses; Regulatory Advisor's Consulting fees and Board of Directors Advisor's fees.</p>
SUMMARY OF INFORMAL CASES ASSIGNED		
<u>COMPANY</u>	<u>CASE NO.</u>	<u>TESTIMONY/ISSUES</u>
Tri-State Water Company	QW-2008-0010	<p>In Progress</p> <p>Payroll; rent expense; miscellaneous maintenance expenses; Rate Base and Income Taxes.</p>

COMPANY	CASE NO.	TESTIMONY/ISSUES
Big Island Water & Sewer	WA-2006-0480 SA-2006-0482	January 2007 Direct - Certificate of Necessitate Application Case: Cost of Service; All Revenues & Expenses related to Big Island Water & Sewer; Plant in Service; Depreciation Reserve & other Rate Base Items. Lead Auditor
Aqua Missouri, Inc. (Water and Sewer)	QS-2005-0008 QW-2005-009 QS-2005-0010 QW-2005-0011	October 2006 All Revenues & Expenses related to Aqua MO Water & Sewer; Plant in Service; Depreciation Reserve & other Rate Base Items. Lead Auditor
Lake Region Water & Sewer Certificate Case	WA-2005-0463	October 2006 Certificate of Necessitate Application Case Lead Auditor
Tri-State Utility Inc.	WA-2006-0241	May 2006 Certificate of Necessitate Application Case Lead Auditor
Osage Water Company Environmental Utilities, L.L.C. Missouri American Water Company	WO-2005-0086	February 2005 Rate Base; Cost of Service; Income Statement Items; Pre-Post Sale of OWC, Sale of EU Assets to MAWC
North Suburban Public Utility Company, Inc. (Water & Sewer)	WF-2005-0164	December 2004 Sale of All Stocks of Lake Region Water & Sewer to North Suburban Water & Sewer, Value of Rate Base Assets, Acquisition Premium Lead Auditor

<u>COMPANY</u>	<u>CASE NO.</u>	<u>TESTIMONY/ISSUES</u>
Mill Creek Sewers, Inc.	SR-2005-0116	<p>December 2004</p> <p>Cost of Service; All Revenues & Expenses related to Mill Creek Sewer; Plant in Service; Depreciation Reserve & other Rate Base Items.</p> <p>Lead Auditor</p>
Roark Water & Sewer Company	WR-2005-0153 SR-2005-0154	<p>September 2004</p> <p>Cost of Service; All Revenues & Expenses related to Roark Water & Sewer; Plant in Service; Depreciation Reserve & other Rate Base Items.</p> <p>Lead Auditor</p>
Osage Water Company	WT-2003-0583 SR-2003-0584	<p>December 2003</p> <p>Cost of Service; All Revenues & Expenses related to Osage Water; Plant in Service; Depreciation Reserve & other Rate Base Items</p>
SUMMARY OF NON-CASE RELATED AUDITS ASSIGNED		
<p>January 2006 – Environmental Utilities, L.L.C. and Osage Water Company Audit Concerning Provision of Service to Eagle Woods Subdivision and Disconnect Notice</p>		
<p>November 2004 - Internal Audit of Public Service Commission (PSC) Fixed Assets, Physical Inventory Control Process and Location of Assets</p>		

SCHEDULE 2

HAS BEEN DEEMED

HIGHLY CONFIDENTIAL

IN ITS ENTIRETY

NP

MGE AAO Application
GU-2007-0480
FMGP Expenditures & Recoveries by Year
Source: MGE Workpapers and Invoices

CY	Expenditures	Recoveries	Southern Union Initial Liability	Non-MGP Expenditures
1994	\$4,146		(\$3,000,000)	(\$40.00)
1995	\$22,346			(\$21,598)
1996	\$64,508			(\$14,953)
1997	\$24,053			(\$2,915)
1998	\$49,386			(\$11,785)
1999	\$153,834			(\$19,940)
2000	\$375,712			(\$4,833)
2001	\$840,947	(\$7,529,589)		\$0
2002	\$931,353	(\$315,000)		\$0
2003	\$6,412,071			(\$6,372)
2004	\$615,884			(\$173,517)
2005	\$191,827			(\$132,624)
2006	\$258,872			(\$189,874)
2007	\$633,053	(\$500,499)		(\$136,798)
3/31/2008	\$885,926			(\$12,746)
	<u>\$11,463,917</u>	<u>(\$8,345,088.00)</u>	<u>(\$3,000,000.00)</u>	<u>(\$727,995)</u>
Total Expenditures			\$11,463,917	
Total Re-imbursements			(\$8,345,088)	
Total Company Initial Liability			(\$3,000,000)	
Total Non-MGP Environmental Expenditures			<u>(\$727,995)</u>	
MGE's net expense/(credit) 3/31/2008			<u><u>(\$609,166)</u></u>	