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Service Commission

Exhibit No.: \_\_\_\_\_  
Issue: MGE Position on Trigen  
Expansion  
Witness: Michael R. Noack  
Exhibit Type: Surrebuttal Testimony  
Sponsoring Party: Missouri Gas Energy  
Case No.: HA-2006-0294  
Date Filed: April 28, 2006

MISSOURI PUBLIC SERVICE COMMISSION

TRIGEN-KANSAS CITY ENERGY CORPORATION

CASE NO. HA-2006-0294

SURREBUTTAL TESTIMONY

OF

MICHAEL R. NOACK

ON BEHALF OF MISSOURI GAS ENERGY

Jefferson City, Missouri

April 2006

Exhibit No. 7  
Case No(s) HA-2006-0294  
Date 5-15-06 Rptr kf

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

NON-PROPRIETARY

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of the Application of Trigen-  
Kansas City Energy Corporation for a  
Certificate of Public Convenience and  
Necessity Authorizing It to Construct, Install,  
Own, Operate, Control, Manage and Maintain  
a Steam Heat Distribution System to Provide  
Steam Heat Service in Kansas City, Missouri,  
as an Expansion of Its Existing Certified Area

Case No. HA-2006-0294

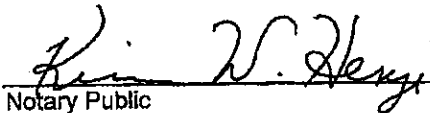
AFFIDAVIT OF MICHAEL R. NOACK

STATE OF MISSOURI            )  
                                      )  
COUNTY OF JACKSON        )       ss.

Michael R. Noack, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Surrebuttal 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.

  
MICHAEL R. NOACK

Subscribed and sworn to before me this 28<sup>th</sup> day of APRIL 2006.

  
Notary Public

My Commission Expires: Feb. 3, 2007



**SURREBUTTAL TESTIMONY OF MICHAEL R. NOACK  
ON BEHALF OF  
MISSOURI GAS ENERGY**

1   **Q.   PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2   A.   My name is Michael R. Noack. My business address is 3420 Broadway Kansas City,  
3       Missouri 64111.

4  
5   **Q.   BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?**

6   A.   I am employed by Missouri Gas Energy ("MGE" or "Company"), a division of Southern  
7       Union Company, as Director of Pricing.

8  
9   **Q.   WHAT ARE YOUR DUTIES AND RESPONSIBILITIES AS MGE'S DIRECTOR OF  
10       PRICING?**

11   A.   Under the specific direction of the Vice-President of Pricing and Regulatory Affairs, I am  
12       responsible for quantifying, analyzing, assessing and preparing complex regulatory programs  
13       which may be filed with the Missouri Public Service Commission ("MPSC"). I also  
14       coordinate regulatory requirements from other departments and translate accounting  
15       initiatives into rate recovery mechanisms to support the Company's initiatives.

16  
17   **Q.   WHAT IS YOUR EDUCATIONAL AND WORK EXPERIENCE?**

18   A.   I received a Bachelor of Science in Business Administration with a major in Accounting  
19       from the University of Missouri in Columbia in 1973. Upon graduation, I was employed by  
20       Troupe Kehoe Whiteaker & Kent ("TKWK"), a Certified Public Accounting Firm in Kansas

1 City, Missouri. I spent approximately 20 years working with TKWK or firms that were  
2 formed from former TKWK employees or partners. I was involved during that time in  
3 public utility consulting and financial accounting, concentrating primarily on rate cases for  
4 electric and gas utilities and financial audits of independent telephone companies across the  
5 United States. In 1992, I started Carleton B. Fox Co. Inc. of Kansas City which was an  
6 energy consulting company specializing in billing analysis and tariff selection for large  
7 commercial and industrial customers. In July of 2000 I started my employment with MGE.  
8 Presently I hold in good standing, a Certified Public Accountant certificate in the state of  
9 Kansas and am a member of the Kansas Society of Certified Public Accountants.

10  
11  
12 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

13 A. I will address several points made by MPSC Staff witness Harris related to the effects of the  
14 proposed Trigen-Kansas City expansion on the public and public interest in Missouri.

15  
16 **Q. HOW HAS MR. HARRIS DEFINED THE TERMS "PUBLIC" AND "PUBLIC**  
17 **INTEREST" IN HIS EVALUATION OF THE PROPOSED EXPANSION?**

18 A. Mr. Harris on page 5, line 11 through line 21 seems to define the "public" in this case as  
19 being limited to those consumers taking and receiving utility service from Trigen's steam  
20 operations in downtown Kansas City, and he defines "public interest" as referring to the  
21 nature and level of the impact or effect that this proposed expansion of the existing steam  
22 operations will have on Trigen's existing customers.

1

2 **Q. DO YOU AGREE THAT WHEN THE COMMISSION IS DECIDING WHETHER**  
3 **THE PROPOSED EXPANSION IS "NECESSARY OR CONVENIENT FOR THE**  
4 **PUBLIC SERVICE" THAT ONLY TRIGEN-KANSAS CITY CUSTOMERS**  
5 **SHOULD BE CONSIDERED?**

6 A. No. Missouri Gas Energy has a considerable customer base in the proposed Trigen-Kansas  
7 City expansion area. Those MGE customers include Residential, Small General Service,  
8 Large General Service and Transportation customers. It is not enough to simply look at the  
9 effect that the expansion will have on MGE related to Truman Medical Center. Several  
10 other large customers taking transportation service from MGE in Trigen-Kansas City's  
11 proposed expansion area may either cease taking service from MGE altogether or  
12 substantially reduce the service they take from MGE if Trigen-Kansas City is granted a  
13 certificate to serve in this area. Those customers include \*\* \*\*, \*\*, \*\*, and  
14 the \*\* \*\*. Two of these customers are within the top 30 MGE customers in size. Another  
15 customer being targeted by Trigen-Kansas City is \*\* \*\* which is the fourth largest MGE  
16 customer.

17

18 **Q. WHAT HAPPENS IF TRIGEN-KANSAS CITY REPLACES MGE AS THE**  
19 **PRIMARY SERVICE SUPPLIER?**

20 A. First, MGE will suffer a substantial revenue shortfall; something in the range of \$300,000  
21 not including the revenue loss from \*\* \*\*. MGE has substantial infrastructure investment  
22 in place to serve these customers which will no longer be supported by the revenues of these

1 customers (if they cease taking MGE service altogether) or which support will be  
2 substantially reduced (if they substantially reduce the service they take from MGE).  
3 Because much, if not all, of this infrastructure (and its associated cost), as well as other fixed  
4 costs of MGE's business (overheads such as administrative and general costs) will remain in  
5 place if these customers reduce the service they take from MGE, one result of granting the  
6 expanded service area requested by Trigen-Kansas City is that all remaining customers' rates  
7 and bills will be higher to some degree than they otherwise would have been. I consider  
8 those MGE customers a part of the "public" and the impact on their bills a part of the "public  
9 interest" which needs to be taken into consideration by the Commission in deciding whether  
10 or not to allow the Trigen expansion.  
11

12 **Q. ARE YOU RECOMMENDING THAT THE COMMISSION DENY THE PROPOSED**  
13 **EXPANSION REQUESTED BY TRIGEN-KANSAS CITY?**

14 **A.** Yes. I am recommending that the Commission take into consideration not just the existing  
15 Trigen-Kansas City customers when deciding if the expansion is in the public interest, but  
16 also take into consideration the infrastructure investment MGE has made in the proposed  
17 expansion area over the years and how having some of MGE's large customers cherry-  
18 picked by Trigen-Kansas City relates to the overall public interest. On balance, MGE  
19 recommends that Trigen-Kansas City's request be denied.  
20

1 Q. TO YOUR KNOWLEDGE HAS TRUMAN MEDICAL CENTER EVER  
2 REQUESTED A SPECIAL CONTRACT FROM MGE IN LIEU OF A COMPLETE  
3 BYPASS?

4 A. No, not to my knowledge. There are provisions in MGE's tariffs to consider such requests  
5 and MGE has offered special contract rates in numerous instances where a customer is  
6 considering bypassing MGE.

7

8 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

9 A. Yes, at this time.

10

11

12

13