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Witness: James A. Gray
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: GM-2001-585
Date Testimony Prepared: August 13, 2001

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

JAMES A. GRAY

GATEWAY PIPELINE COMPANY, INC., ET AL.

CASE NO. GM-2001-585

Jefferson City, Missouri
August, 2001

Exhibit No. 16
Date 9-05-01 Case No. GM-2001-585
Reporter JK

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

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Rebuttal Testimony of
James A. Gray

1 A. Prior to being employed by the Commission, I was a Research Analyst for
2 two and a half years with the Missouri Department of Mental Health where I conducted
3 statistical analyses. In 1980, I began my employment with the Commission as a
4 Statistician in the Depreciation Department where I submitted testimony regarding
5 depreciation rates, trended original cost, and trended original cost less depreciation.

6 Beginning in 1989 as a member of the Economic Analysis Department, I
7 submitted testimony on weather normalized sales for natural gas, water, and electric
8 utilities. In electric utilities' resource plans, I reviewed their residential electric load
9 forecasts with associated detailed end-use studies and marketing surveys.

10 Beginning in December of 1997, as a member of the Tariffs/Rate Design
11 Section of the Commission's Gas Department, I reviewed tariffs and applications of
12 natural gas utilities. I submitted testimony on weather normalized sales, certificates of
13 convenience and necessity, and minimum statistical sample sizes to be used in natural gas
14 residential customer billing reviews.

15 Since July of 2001, I have been in the Tariffs/Rate Design Section of the
16 Commission's Energy Department.

17 Q. Please list all the cases in which you have submitted prepared written
18 testimony before this Commission.

19 A. The cases in which I have submitted prepared, written testimony are
20 enumerated in Schedule 1, attached to my testimony.

21 Q. What is the purpose of your testimony?

Rebuttal Testimony of
James A. Gray

1 A. I will describe the natural gas transportation service areas and numbers of
2 customers depending upon transportation service provided by Missouri Pipeline
3 Company (MPC) and Missouri Gas Company (MGC).

4 Q. What type of natural gas service do MGC and MPC provide?

5 A. MPC and MGC have tariffs only to provide intrastate natural gas
6 transportation service.

7
8 **MISSOURI PIPELINE COMPANY (MPC)**
9

10 Q. Briefly list the Missouri counties that MPC natural gas pipeline travels
11 through.

12 A. The northern end of MPC begins in Pike County where MPC
13 interconnects with CMS Panhandle Eastern Pipe Line Company (Panhandle or PEP).
14 Then MPC transports natural gas south through Lincoln County, St Charles County, and
15 ends in southern Franklin County at an interconnect with MGC. Schedule 2-1, attached
16 to this testimony, shows MPC.

17 Q. How does MPC tie-in to the St. Louis natural gas market?

18 A. Yes, MPC receives natural gas through an interconnection with Panhandle
19 in Pike County. Then MPC transports the natural gas into the St. Louis market.

20 MPC transports natural gas to two Local Distribution Companies (LDCs)
21 in the St. Louis area. Laclede Gas Company (Laclede) has delivery points with MPC in
22 St. Charles County in St. Peters, West Alton, and Wentzville. In Franklin County,
23 Laclede's delivery point with MPC is near Washington. In the St. Louis market, MPC is

Rebuttal Testimony of
James A. Gray

1 not the sole provider of natural gas transportation to Laclede. Mississippi River
2 Transportation Corporation (MRT) and Williams Gas Pipelines Central, Inc. (Williams)
3 also have tie-ins to Laclede's St. Louis market. Staff understands that Natural Gas
4 Pipeline Company of America (NGPL) may enter the St. Louis market.

5 The second LDC that receives natural gas transportation service from
6 MPC is Union Electric Company d/b/a AmerenUE (AmerenUE). AmerenUE's delivery
7 points with MPC are near Troy and in Wentzville. Panhandle also transports natural gas
8 for AmerenUE directly to a delivery point at Curryville. These three delivery points
9 transport natural gas to AmerenUE's Wentzville District.

10 Q. Briefly list the cities, outside of the St. Louis market, that only receive
11 natural gas transportation service from MPC.

12 A. Outside of the St. Louis market, two LDCs only receive natural gas
13 transportation service at MPC's town border stations. A town border station, also known
14 as a city gate, is a distribution point where gas from the pipeline is measured and sold to
15 an LDC.

16 MPC has town border stations with Laclede at Washington, St.
17 Clair/Parkway, and in the Union area in Franklin County. MPC also has a town border
18 station with Fidelity Natural Gas, Inc. (Fidelity) at the City of Sullivan in southern
19 Franklin County.

20 Q. ** _____.

21 A. ** _____

22 _____

23 _____

Rebuttal Testimony of
James A. Gray

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MISSOURI GAS COMPANY (MGC)

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Q. What company transports natural gas to MGC?

10

A. MPC transports natural gas to MGC. MGC is solely dependent upon

11

MPC to transport natural gas to MGC.

12

Q. Briefly list the Missouri counties that MGC natural gas pipeline travels

13

through.

14

A. At the northern end, MGC interconnects with MPS in southern Franklin

15

County and the pipeline runs southwest through Crawford, Phelps, and Pulaski counties.

16

Q. What LDC only receives natural gas transportation service from MGC?

17

A. MGC transports natural gas to Missouri Public Service's Eastern System

18

through an interconnect with MPC in southern Franklin County. Missouri Public

19

Service's Eastern System includes the cities of Rolla in Phelps County, Salem in Dent

20

County, and Owensville in Gasconade County. These cities only receive natural gas

21

transportation service from MGC, and are captive customers.

22

Q. What municipalities receive natural gas transportation service only from

23

MGC?

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Rebuttal Testimony of
James A. Gray

1 A. The municipalities are the City of Cuba in Crawford County, the City of
2 St. James in Phelps County, and the cities of Richland, St. Robert, and Waynesville in
3 Pulaski County.

4 Q. Is Fort Leonard Wood also dependent upon MGC for natural gas
5 transportation service?

6 A. Yes, MGC is the only transporter of natural gas to Fort Leonard Wood in
7 Pulaski County.

8 Q. Do you have a system map to show the service areas of MPC and MGC?

9 A. Yes, I have attached Schedule 2-1 to this testimony to show the intrastate
10 pipelines of both utilities. The MPC and MGC intrastate pipelines are shown in red.
11 MPS interconnects with Panhandle in Pike County, and Panhandle's pipeline is shown in
12 light green. Some of the cities that I listed are shown in light blue.

13 Q. ** _____ **

14 A. ** _____

15 _____

16 _____ **

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18 **TRANS-MISSISSIPPI PIPELINE COMPANY (TMP)**

19

20 Q. ** _____

21 _____ ?**

22 A. ** _____

23 _____

Rebuttal Testimony of
James A. Gray

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Q. ** _____?***

A. ** _____

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Q. ** _____?***

A. ** _____

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Q. ** _____
_____?***

A. ** _____

_____.**

MPG AND MGC CUSTOMER INFORMATION

Q. How many natural gas customers receive natural gas solely from MPG and
MGC?

A. Approximately 13,600 natural gas customers receive natural gas solely
from MPG and MGC. Of that number, approximately 9,000 customers of Laclede,

Rebuttal Testimony of
James A. Gray

1 Fidelity, and Missouri Public Service's Eastern System have their rates regulated by the
2 Commission. I have attached Schedule 3 to this testimony showing approximately how
3 many customers and/or services by LDC, municipal system, and Fort Leonard Wood.

4 Q. Why did you report numbers of natural gas service lines for most of the
5 municipalities and Fort Leonard Wood?

6 A. The best estimate that I have of the number of customers for most of the
7 municipalities and Fort Leonard Wood is the number of natural gas services obtained
8 from a 2000 United States Department of Transportation (DOT) report. Natural gas
9 services do not precisely match numbers of customers since there might be one service to
10 an apartment building containing several customers. Also, in new construction, there
11 may be natural gas service lines for many unsold subdivision lots.

12 Q. What do the numbers of service lines at Fort Leonard Wood represent?

13 A. It represents the number of natural gas service lines to supply the various
14 building structures. Military housing units range from barracks, two-story duplexes, and
15 individual homes for some officers. The natural gas usage is paid for by the United
16 States military.

17 Q. Please combine your two lists of all the cities relying exclusively upon
18 MPC and MGC for transportation service.

19 A. MPC transports natural gas to two LDCs. They are Laclede Gas Company
20 and Fidelity Natural Gas Company. This includes the cities of Washington, Union, St.
21 Clair, Parkway, and Sullivan.

Rebuttal Testimony of
James A. Gray

1 One LDC only receives natural gas transportation service from MGC, it is
2 Missouri Public Service's Eastern System. This system includes the cities of Salem,
3 Owensville, and Rolla.

4 The municipalities of Cuba, St. James, Waynesville, St. Robert, and
5 Richland rely solely on MGC for transportation service. Also Fort Leonard Wood relies
6 solely on MGC for transportation service.

7 Q. Do you have any information concerning population growth in the
8 Missouri counties receiving natural gas transportation service from MPC and/or MGC?

9 A. Yes, I obtained population growth statistics from the United States
10 Census. I have attached Schedule 4 to this testimony, showing Missouri counties
11 receiving transportation service from MPC and/or MGC pipelines with their 2000
12 population and percent change from 1990 to 2000.

13 The data show that the greatest population growth, in counties served by
14 MPC is St. Charles County. The population growth in St. Charles County is thirty-three
15 percent over ten years. This substantially exceeds the statewide population growth of
16 nine percent. St. Charles has a 2000 population of 283,883, so a thirty-three percent gain
17 translates into a larger gain in numbers of persons than a similar percent gain in a county
18 with a smaller, base population.

19 In the counties receiving only transportation service from MPC and/or
20 MGC, the population growth is more moderate. The data show a decrease in population
21 for Pulaski County.

22 Q. Why did you not compare the percent growth by city?

Rebuttal Testimony of
James A. Gray

1 A. The county growth statistics were readily available. Moreover, county
2 boundaries are stable.

3 Boundaries of cities are not necessarily stable. The cities might have
4 annexed additional land area since the 1990 census.

5 Q. What do you conclude from the 2000 U.S. Census Data?

6 A. Population growth in counties currently receiving natural gas
7 transportation service exclusively from either MPC or MGC does not match the
8 population growth in St. Charles County.

9 The data in Schedule 4 is by county. MPC and MGC do not serve entire
10 counties. Therefore, these county statistics exceed the current MPC and/or MGC service
11 areas, but the census data demonstrate the lack of sustained, overall population growth in
12 an entire county, such as Pulaski. The numbers of residential customers in Pulaski
13 County would increase if more municipalities would take natural gas transportation
14 service from MGC or if the current municipalities would annex more land, then increase
15 the numbers of their gas customers.

16 Given stable economic conditions and stable, normal winter weather, it
17 seems that an increase in residential natural gas sales in counties such as Pulaski cannot
18 be realized without substantial population growth. I did not analyze growth in
19 commercial or industrial businesses.

20 Q. Why do you list housing units in Schedule 4?

21 A. A population census may not necessarily be the best measure of potential
22 customers. Housing units are available residential housing. Apartments, mobile homes,
23 and groups of rooms are housing units. Housing units are not necessarily occupied.

Rebuttal Testimony of
James A. Gray

1 Q. Do you believe that Gateway can expect substantial growth in natural gas
2 sales from the residential customers in the counties served exclusively by either MPC or
3 MGC?

4 A. No, the data does not seem to support increased demand from residential
5 customers in the near future.

6 Q. Does this conclude your Rebuttal Testimony?

7 A. Yes, it does.

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

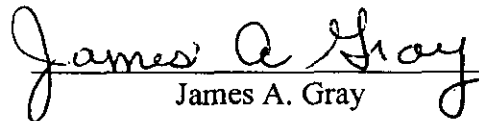
IN THE MATTER OF THE JOINT)
APPLICATION OF GATEWAY)
PIPELINE COMPANY, INC.,)
MISSOURI GAS COMPANY AND)
MISSOURI PIPELINE COMPANY)

Case No. GM-2001-585

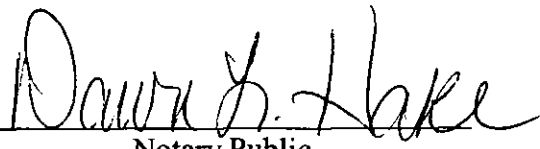
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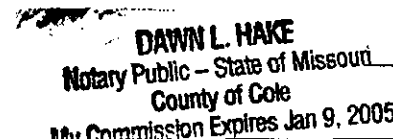
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James A. Gray, of lawful age, on his oath states: that he has participated in the preparation of the foregoing written testimony in question and answer form, consisting of 11 pages of testimony to be presented in the above case, that the answers in the attached written testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.


James A. Gray

Subscribed and sworn to before me this 10th day of August, 2001.


Notary Public


My commission expires Jan 9, 2005

Gateway Pipeline Company, Inc., et al.

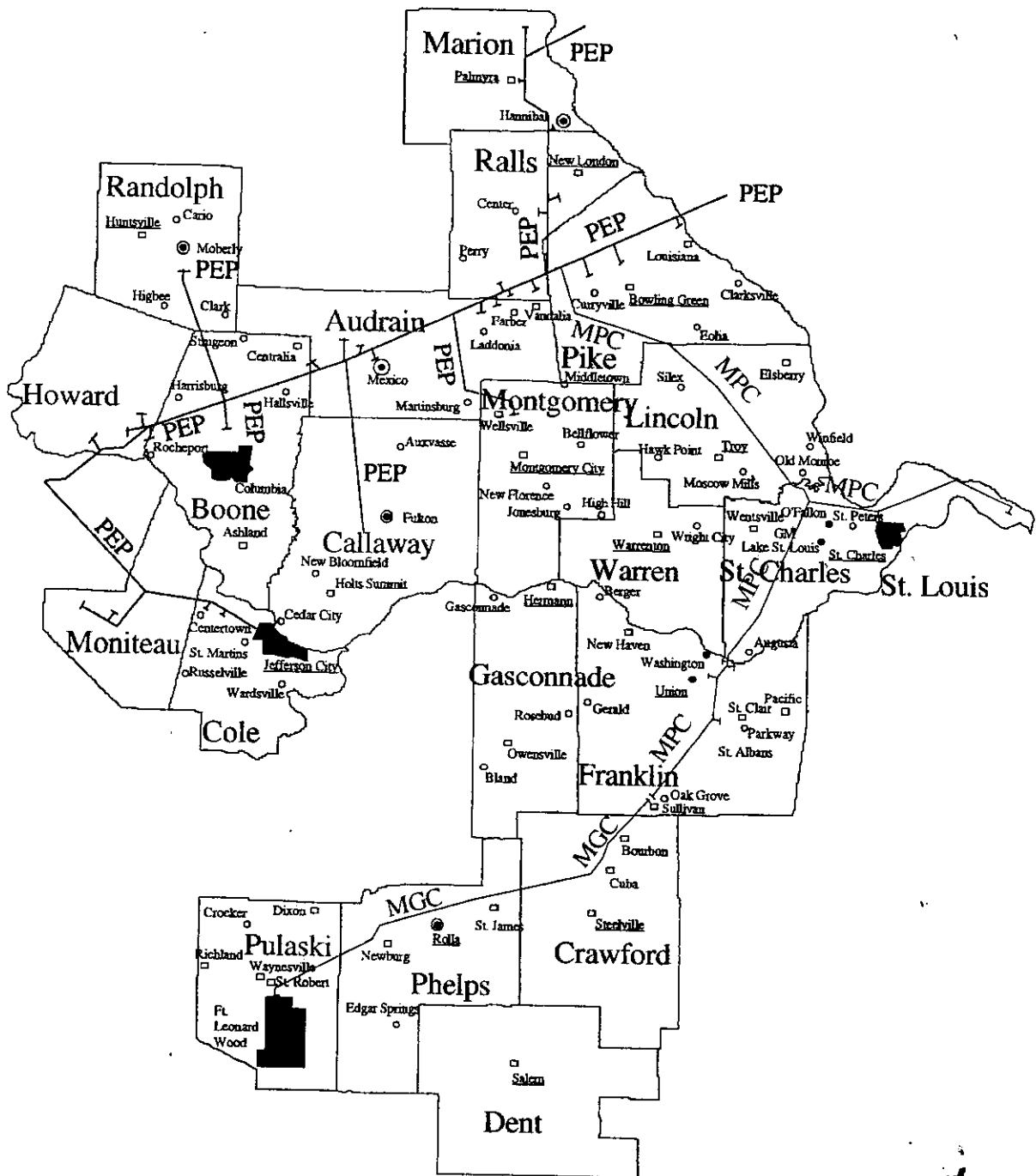
Case No. GM-2001-585

**Summary of Cases in Which Prepared Testimony Was Submitted by
James A. Gray**

Missouri Public Service Company	GR-81-312
Missouri Public Service Company	ER-82-39
Missouri Public Service Company	GR-82-194
Laclede Gas Company	GR-82-200
St. Louis County Water Company	WR-82-249
Missouri Public Service Company	ER-83-40
Kansas City Power & Light Company	ER-83-49
Osage Natural Gas Company	GR-83-156
Missouri Public Service Company	GR-83-186
The Gas Service Company	GR-83-225
Laclede Gas Company	GR-83-233
Missouri Water Company	WR-83-352
Missouri Cities Water Company	WR-84-51
Le-Ru Telephone Company	TR-84-132
Union Electric Company	ER-84-168
Union Electric Company	EO-85-17
Kansas City Power & Light Company	ER-85-128
Great River Gas Company	GR-85-136
Missouri Cities Water Company	WR-85-157
Missouri Cities Water Company	SR-85-158
United Telephone Company of Missouri	TR-85-179
Osage Natural Gas Company	GR-85-183
Kansas City Power & Light Company	EO-85-185
ALLTEL Missouri, Inc.	TR-86-14
Sho-Me Power Corporation	ER-86-27
Missouri-American Water Company, Inc.	WR-89-265
The Empire District Electric Company	ER-90-138
Associated Natural Gas Company	GR-90-152
Missouri-American Water Company, Inc.	WR-91-211
United Cities Gas Company	GR-91-249
Laclede Gas Company	GR-92-165
St. Joseph Light & Power Company	GR-93-42
United Cities Gas Company	GR-93-47
Missouri Public Service Company	GR-93-172
Western Resources, Inc.	GR-93-240
Laclede Gas Company	GR-94-220
United Cities Gas Company	GR-95-160
The Empire District Electric Company	ER-95-279
Laclede Gas Company	GR-96-193
Missouri Gas Energy	GR-96-285
Associated Natural Gas Company	GR-97-272
Union Electric Company	GR-97-393
Missouri Gas Energy	GR-98-140
Laclede Gas Company	GR-98-374
AmerenUE	GA-99-107
Laclede Gas Company	GA-99-236
St. Joseph Light & Power Company	GR-99-42
Laclede Gas Company	GR-99-315
AmerenUE	GR-2000-512
Missouri Gas Energy	GR-2001-292

Gateway Pipeline Company, Inc., et al.
Case No. GM-2001-585

Missouri Gas Company (MGC) and
Missouri Pipeline Company (MPC)



**SCHEDULE 2-2 IS DEEMED
HIGHLY CONFIDENTIAL
IN ITS ENTIRETY**

**SCHEDULE 2-3 IS DEEMED
HIGHLY CONFIDENTIAL
IN ITS ENTIRETY**

Gateway Pipeline Company, Inc. et al.
Case No. GM-2001-585

**Numbers of Customers or Services in Missouri
Receiving Natural Gas Solely from
Missouri Pipeline Company and Missouri Gas Company**

Pipeline Company	Local Distribution Company and/or Municipal System	Affected Missouri Counties	Number of Customers
Missouri Pipeline Company	Laclede Gas Company	Franklin County	3,549
Missouri Pipeline Company	Fidelity Natural Gas Company	Franklin County	1,191
Missouri Gas Company	Missouri Public Service - Eastern District	Gasconade County	
		Phelps County	
		Dent County	4,269
Missouri Gas Company	Richland, Missouri (Municipal System)	Pulaski County	300
			Number of Services
Missouri Gas Company	Cuba, Missouri (Municipal System)	Crawford County	1,060
Missouri Gas Company	St. James, Missouri (Municipal System)	Phelps County	1,035
Missouri Gas Company	St. Robert, Missouri (Municipal System)	Pulaski County	390
Missouri Gas Company	Waynesville, Missouri (Municipal System)	Pulaski County	565
Missouri Gas Company	Fort Leonard Wood (Omega Pipelines)	Pulaski County	<u>1,259</u>
Total numbers of customers and services			13,618

Gateway Pipeline Company, Inc. et al.
Case No. GM-2001-585

**Population Data from the 2000 U.S. Census
for Counties served by
Missouri Pipeline Company and Missouri Gas Company**

Pipeline Company	County	Population	Percent Change	Housing Units
Missouri Gas Company	Pulaski	41,165	-0.3%	15,408
Missouri Gas Company	Phelps	39,825	13.0%	17,501
Missouri Gas Company	Crawford	22,804	18.9%	10,850
Missouri Gas Company	Dent	14,927	8.9%	6,994
Missouri Gas Company	Gasconade	15,342	9.5%	7,813
Missouri Pipeline Company	Franklin	93,807	16.4%	38,295
Missouri Pipeline Company	St. Charles	283,883	33.4%	105,514
Missouri Pipeline Company	St. Louis	1,016,315	2.3%	423,749
Missouri Pipeline Company	St. Louis City	348,189	-12.2%	176,354