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Date Prepared:

Detriment to Public
Interest and Proposed
Conditions

Julianne J. Heins

Cross Surrebuttal Testimony

Union Electric Company

d/b/a AmerenUE

GM-2001-585

August 23, 2001

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. GM-2001-585

CROSS SURREBUTTAL TESTIMONY

OF

JULIANNE J. HEINS

MISSOURI PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

In the Matter of the Joint Application)
of Gateway Pipeline Co., Inc., Missouri)
Gas Company and Missouri Pipeline) CASE NO. GM-2001-585
Company and the Acquisition by Gateway)
Pipeline Company of the Outstanding)
Shares of UtiliCorp Pipeline Systems, Inc.)

AFFIDAVIT

STATE OF MISSOURI)
)
CITY OF ST. LOUIS) SS.

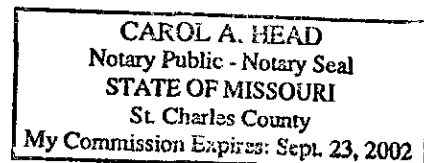
I, Julianne J. Heins, do state upon oath as follows:

1. I am employed by AmerenEnergy Fuels and Services Company as a Gas Supply and Transportation Director in the Natural Gas Supply and Transportation Department.
2. Attached hereto and made a part hereof for all purposes is my Cross Surrebuttal Testimony consisting of 5 pages which have been prepared in written form for introduction into evidence in the above-referenced case.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.


Julianne J. Heins

Subscribed and sworn to before me this 23 day of August, 2001.





1 **CASE NO. GM-2001-585**

2 **CROSS SURREBUTTAL TESTIMONY OF JULIANNE J. HEINS**

3 **MISSOURI PUBLIC SERVICE COMMISSION**

4 **UNION ELECTRIC COMPANY**
5 **d/b/a AmerenUE**
6

7 **Q. Please state your name.**

8 A. Julianne J. Heins.

9 **Q. Are you the same Julianne J. Heins who filed Rebuttal Testimony on behalf**
10 **of Union Electric Company d/b/a AmerenUE ("AmerenUE") in this**
11 **proceeding ?**

12 A. Yes, I am.

13 **Q. What is the purpose of your Cross Surrebuttal Testimony?**

14 A. The purpose of my Cross Surrebuttal Testimony is to address the Rebuttal
15 Testimony filed by other parties in this proceeding.

16 **Q. Why is it important for you to address the Rebuttal Testimony of the other**
17 **parties?**

18 A. As an employee of AmerenUE, pursuant to the Protective Order issued by the
19 Missouri Public Service Commission ("Commission") in this proceeding, I have
20 not been permitted to review any of the material designated by the applicants as
21 "Highly Confidential." Because the applicants have designated so much material
22 as "Highly Confidential," my ability to review the merits of the application has
23 been significantly limited. As a consequence, in my direct testimony, I simply
24 listed the concerns AmerenUE had about Gateway Pipeline Company, Inc.'s

1 ("Gateway") acquisition of the outstanding shares of UtiliCorp Pipeline Systems,
2 Inc. ("UtiliCorp").

3 **Q. Has the Rebuttal Testimony filed by other parties in this proceeding affected**
4 **any of these concerns?**

5 A. Yes. In general, the Rebuttal Testimony filed by witnesses who have had access
6 to the "Highly Confidential" information has increased my concerns about this
7 transaction. And with regard to one issue, the Rebuttal Testimony of the Staff has
8 helped to alleviate one of the concerns I expressed in my Rebuttal Testimony.

9 **Q. Please explain how the Staff's Rebuttal Testimony has helped to alleviate one**
10 **of your concerns.**

11 A. The Rebuttal Testimony of Staff Witness John D. Kottwitz addresses safety issues
12 related to this transaction. Mr. Kottwitz testifies that subject to three conditions
13 that Gateway has already agreed to implement, the effect of this transaction on
14 pipeline safety and code compliance should be minor. The three conditions cited
15 in Mr. Kottwitz's testimony are:

16 1) Missouri Pipeline Company ("MPC") and Missouri Gas Company ("MGC")
17 must follow the pipeline safety regulations as contained in 4 CSR 240-40.020,
18 40.030, and 40.080.

19 2) MPC and MGC must continue to use an adequate number of qualified
20 personnel to operate and maintain the pipelines and respond to any
21 emergencies along the pipeline. These personnel must continue to be
22 qualified in accordance with 4 CSR 240-40.030(12)(D).

1 3) There must be no lapse in the call center, dispatch, emergency response,
2 SCADA monitoring, and gas control functions for MPC and MGC during the
3 transition of UtiliCorp to Gateway. Gateway should plan for the transition of
4 these functions because they must continue to be provided on a 24 hours/day,
5 7 days/week, 365 days/year basis.

6 If these conditions are required by the Commission, and adhered to by Gateway,
7 they will substantially alleviate the concern I expressed in my Rebuttal Testimony
8 about the operational reliability of MPC following its acquisition by Gateway.

9 **Q. Please explain how the Rebuttal Testimony filed by the other parties to this**
10 **proceeding has increased your concerns about other aspects of this**
11 **transaction.**

12 A. One concern I expressed in my Rebuttal Testimony is that Gateway may not have
13 the financial resources to operate MPC over the long run. The Rebuttal
14 Testimony filed in this proceeding by witnesses who have had access to all of the
15 "Highly Confidential" financial information supplied by Gateway in this
16 proceeding deepens my concern about this issue. For example, Staff witness
17 Roberta A. McKiddy, who conducted a thorough review of the financial details of
18 this transaction expresses many concerns in this area, including questions about
19 Gateway's capital structure, business plan and pro forma financial statements. In
20 fact, Ms. McKiddy testifies that without the necessary supporting documentation,
21 "Staff believes that the pro forma financial statements provided by Gateway are
22 nothing short of speculative." (McKiddy, Rebuttal, p 15.) In addition, Ms.
23 McKiddy indicates that it would be possible for another entity to pledge

1 UtiliCorp's common stock as collateral or security for its own debt without
2 Commission approval. (McKiddy, Rebuttal, p. 17.) Staff witness Mark L.
3 Oligschlaeger also apparently expresses some additional concerns about the
4 financial aspects of this transaction, although most of his testimony has been
5 designated as "Highly Confidential." Based on the testimony of these Staff
6 witnesses, AmerenUE's concerns about Gateway's financial resources have
7 increased significantly.

8 **Q. Have any of AmerenUE's other concerns increased based on the Rebuttal**
9 **Testimony filed by other parties?**

10 A. Yes. AmerenUE's concerns that Gateway's acquisition of MPC might
11 significantly diminish the service provided to customers or increase the rates paid
12 by customers has significantly increased based on the Rebuttal Testimony filed by
13 the other parties. In this regard, the Rebuttal Testimony filed by Laclede Gas
14 Company ("Laclede") witness Christopher C. Pflaum is particularly relevant. Mr.
15 Pflaum documents numerous operating problems experienced by other companies
16 owned by the principal owner of Gateway. In addition, Mr. Pflaum and the Staff
17 witnesses identify problems which would result if MPC became a FERC
18 jurisdictional pipeline. This testimony only enhances my concerns about the
19 diminution of service and increase in rates which may result from this transaction.

20 **Q. Laclede witness Pflaum has testified that if the Commission approves this**
21 **transaction, it should be conditioned on seven specific requirements, set forth**
22 **on pages 14 and 15 of Mr. Pflaum's Rebuttal Testimony. Do you agree that**
23 **these conditions are appropriate?**

1 A. Yes. All of the conditions proposed by Mr. Pflaum are appropriate, and
2 AmerenUE especially agrees with Mr. Pflaum's proposed requirements which
3 would prohibit Gateway from bypassing the local distribution companies it
4 serves, which would require it to provide existing customers with a right of first
5 refusal to retain their firm contract entitlements on MPC's system, and which
6 would require MPC to submit plans showing that the addition of any new
7 customers will not impose additional costs or adversely affect service for existing
8 customers. AmerenUE is particularly concerned that the addition of more firm
9 customers could adversely affect MPC's ability to provide gas at sufficient
10 pressures and hourly flow rates necessary to meet AmerenUE's peak day needs.
11 If the addition of such customers did compromise MPC's service, AmerenUE
12 believes it would be appropriate for the new customers, rather than the existing
13 customers, to pay the cost of any operational enhancements, such as the addition
14 of compression, which may be necessary to maintain service at its pre-existing
15 level.

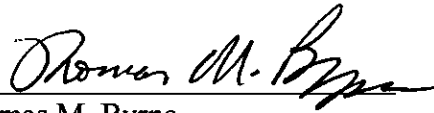
16 **Q. Does this conclude your Cross Surrebuttal Testimony?**

17 A. Yes, it does.

18

CERTIFICATE OF SERVICE

I hereby certify that a copy of the Cross Surrebuttal Testimony of Julianne J. Heins, on behalf of AmerenUE, was sent by overnight delivery on this 23rd day of August, 2001, to all parties listed on the attached Service List.



Thomas M. Byrne

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

CASE NO. GM-2001-585

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