

Exhibit No.:

Issue: Acquisition of Capital Stock and
Connection

Witness: David J. Ries

Type of Exhibit: Rebuttal

Sponsoring Party: Gateway Pipeline
Company

Case No.: GM-2001-585

Date Testimony Prepared: August 23, 2001

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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CASE NO. GM-2001-585

Missouri Public
Service Commission

**REBUTTAL TESTIMONY
OF
DAVID J. RIES**

NON-PROPRIETARY

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**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
CASE NO. GM-2001-585
REBUTTAL TESTIMONY OF DAVID J. RIES
ON BEHALF OF GATEWAY PIPELINE COMPANY, INC.**

Introduction

1 Q. Please state your name.

2 A. My name is David J. Ries.

3 Q. On whose behalf are you presenting this testimony?

4 A. I am presenting this testimony on behalf of Gateway Pipeline Company, Inc.
5 ("Gateway").

6 Q. Are you the same David J. Ries who presented direct testimony in this case on
7 behalf of Gateway?

8 A. Yes. I would also add that it has come to my attention that the copy of my resume
9 which was attached to my direct testimony as Schedule 1 was missing the last
10 page; therefore, attached to this testimony as Schedule 16 is another copy of my
11 resume which contains the last page. The remainder of Schedule 16 is identical to
12 Schedule 1 to my direct testimony.

13 Q. What is the purpose of your rebuttal testimony?

14 A. The purpose of my rebuttal testimony is to respond to the testimony of various
15 witnesses who have filed testimony in this case on behalf of Staff, Office of the
16 Public Counsel, and intervenors, and thereby demonstrate to the Commission that
17 the transaction which is proposed in this case is not detrimental to the public
18 interest. I will also address an issue which has arisen in the rebuttal testimony of

1 various other parties concerning a condition which was previously placed on the
2 certificate of convenience and necessity of Missouri Pipeline Company.

3 **Gas Safety**

4 Q. Staff witness John Kottwitz makes three recommendations in his testimony,
5 which begin on page 3, line 14 and end on page 4, line 3, concerning the issue of
6 gas safety. How do you respond to the three recommendations of Mr. Kottwitz?

7 A. As Mr. Kottwitz states on page 4, lines 4 through 7, he and I have discussed these
8 three conditions, and I have already indicated to him that Gateway is agreeable to
9 the three recommendations contained at page 3, line 14 through page 4, line 3 of
10 his testimony.

11 **Population Growth**

12 Q. Staff witness James Gray addresses county population growth, based on 2000
13 census data, for the counties served by Missouri Pipeline Company ("MPC") and
14 Missouri Gas Company ("MGC"). How do you respond to his testimony on this
15 point?

16 A. In his testimony Mr. Gray chooses to focus on Pulaski County, which he testifies
17 showed a population decrease from 1990 census data. Schedule 4 to his
18 testimony shows this decrease to have been 0.3%. Pulaski County is a small
19 county which is highly influenced by the activities on Fort Leonard Wood which
20 had a significant population reduction in the 1993 time frame. If the population
21 on the base is removed from the county data, Pulaski County experienced a 5%
22 growth rate over this same time period. His Schedule 4 also shows a decrease in
23 the City of St. Louis of 12.2%. The population reduction for the City of St. Louis

1 would support the notion that the population is shifting to the suburbs in the metro
2 St. Louis area of which MPC and MGC are suppliers. However, Schedule 4 to
3 Mr. Gray's testimony also shows an increase in Phelps County of 13.0%, an
4 increase in Crawford County of 18.9%, an increase in Dent County of 8.9%, an
5 increase in Gasconade County of 9.5%, an increase in Franklin County of 16.4%,
6 an increase in St. Charles County of 33.4%, and an increase in St. Louis County
7 of 2.3%. Mr. Gray also admits on page 10 of his testimony that he did not
8 analyze commercial or industrial growth. Also, other than including his
9 residential population growth figures, he did not address any other means by
10 which growth in natural gas sales might be accomplished. He makes no mention
11 of the ongoing conversion from alternative fuels to natural gas that continues to
12 occur. With a quick review of the annual reports filed by MGC, it can be
13 concluded that volumetric throughput grew by 11% last year and is up over 100%
14 in the last 5 years far in excess of any population growth. He also makes no
15 mention of the numerous communities that do not, even at this date, have access
16 to natural gas as a fuel choice. In Gateway's response to staff data request 3811,

17 **

19 **

20 **PGA Rate**

21 Q. Staff witness Phil Lock states on page 3 of his testimony that the proposed sale
22 could result in increases to the cost of service provided to customers of the
23 Eastern District of Missouri Public Service ("MPS"). How do you respond?

1 A. First, the Commission must remember that this is not a rate case. No increase is
2 being sought in the rates for either MPC or MGC. Therefore, any alleged
3 concerns about a possibility for increased rates on MPC or MGC in the future,
4 even if true, are not relevant to a determination of whether the proposed
5 transaction is not detrimental to the public interest. Second, Mr. Lock never says
6 that rates will increase, merely that they could. Third, his testimony is not clear as
7 to why he believes the sale could cause such an increase, other than a passing
8 reference to possible ** ** which I will address later in my
9 testimony. His testimony seems to be that the current PGA rate for the Eastern
10 District of MPS is high compared to other Missouri local distribution companies
11 and that he believes this will continue. Even if this is correct, the condition
12 already exists and does not mean that the proposed transaction would be
13 detrimental. The same is true of his alleged concerns about potential conversions
14 to propane or other fuels; even if he is correct, these alleged concerns already
15 exist and therefore do not mean that the proposed transaction would be
16 detrimental.

17 **FERC Regulation**

18 Q. Staff witness Carmen Morrissey states on page 3, beginning on line 1, of her
19 testimony that she is concerned **

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** Please

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respond.

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A. First, let me say that it is not, nor has it ever been, Gateway's intent to **

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Clarification of Prior Condition

Q. On page 19 of her testimony, Staff witness Roberta McKiddy refers to a portion of the Commission's Order in Case No. GM-94-252. Laclede's witness also refers to this prior Order. Do you care to address what Ms. Kiddy refers to as the "condition" which was "imposed" on "UtiliCorp"?

A. Yes. In the Commission's Report and Order in Case No. GM-94-252, under the heading of "Settled Issues," it states:

As to the physical separation of MPC's intrastate pipeline operation from a portion of a pipeline which crosses the Mississippi River, *all parties agree* that the prohibition against connecting the intrastate system to the interstate system is *a condition which was imposed at the time the certificate was issued to MPC in Case No. GA-89-126*, and that it *will remain* a condition of the certificate if transferred. (emphasis added)

From this language, it appears that the Commission intended to continue the same condition upon MPC's certificate as was originally imposed on MPC in Case No.

1 GA-89-126, based upon the representations of the parties in Case No. GM-94-
2 252. It does not appear that the Commission intended to change the condition in
3 any way. In Case No. GA-89-126, MPC was the Applicant, and the condition
4 which was imposed on MPC was as follows:

5 7. the physical separation of the intrastate pipeline from the
6 portion of the Applicant's [i.e., MPC's] segment crossing the state
7 boundary into Illinois
8

9 Clearly, at the time of GA-89-126, MPC owned both the intrastate pipeline for
10 which it sought a certificate, and the interstate segment which crossed the state
11 boundary.

12 Q. Why does the distinction between who owns the intrastate pipeline versus who
13 owns the interstate segment matter?

14 A. It matters for purposes of ** ** which seems to be such a
15 concern to Staff and other parties. Based on my years of experience in the natural
16 gas industry, **.

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Therefore, the Commission should clarify that MPC is not currently prohibited from connecting with pipeline assets which cross the river into Illinois, if those pipeline assets are owned by an entity other than MPC and that MPC is only currently prohibited from connecting with pipeline assets which cross the river into Illinois if those assets are also owned by MPC, as provided by the original condition which was placed on MPC in Case No. GA-89-126. If the Commission believes that MPC is prohibited from connecting with pipeline assets which cross the river into Illinois, even if those pipeline assets are owned by an entity other than MPC, **

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1 **McKiddy Concerns**

2 Q. Beginning on page 22 of her testimony, Ms. McKiddy summarizes her concerns
3 about the proposed transaction. How do you respond to her first concern stated
4 on page 22, beginning on line 21?

5 A. Her first stated concern is that the potential exists for higher financing costs and
6 an increase in cost of capital, which could lead to an increase in cost of service for
7 MPC and MGC. However, as she recognizes on page 23, even if this was true it
8 would not result in higher rates unless Gateway filed a rate case. This is not a rate
9 case, and no changes to the rates or rate structure of MPC or MGC are being
10 sought in this case. Therefore, this "concern" is not relevant to a determination of
11 whether to approve the proposed transaction under the standard the Commission
12 has applied to similar cases in the past.

13 Q. Are Ms. McKiddy's statements regarding Gateway's projected interest expense
14 correct?

15 A. No. Her criticisms of Gateway's financing plans are flawed, and somewhat
16 misleading. On page 8, beginning on line 3 of her testimony she states "Looking
17 solely at amount of debt and applicable interest rate, a simple calculation shows
18 that Gateway's annual interest expense would be in the range of ** _____
19 _____ ** to ** _____ ** However,
20 Gateway projects its interest expense at December 31, 2002, as ** _____ **"
21 Her claim as to Gateway's projected interest expense at December 31, 2002, is
22 simply wrong. As shown on page 11 of 12 attached to Gateway's response to
23 Staff data request number 3806 (attached hereto as Highly Confidential Schedule

1 17), Gateway projected its interest expense at the year ending December 31, 2002,
2 to be ** _____ **, which is precisely where Ms. McKiddy's "simple
3 calculation" showed it should be. This response was provided to Staff on June 22,
4 2001. The difference between these two numbers is simply that Gateway has
5 **: _____
6 _____ ** Further Ms. McKiddy asserts that Gateway has
7 provided no specific plans as to how it will decrease interest expense when in fact
8 in Gateway's response to Staff data request 3810 (which is attached hereto as
9 Highly Confidential Schedule 19), Gateway has provided Staff with a confidential
10 term sheet from its lender. From this term sheet, the amount and cost of
11 Gateway's debt is clear. On page 8 of her testimony Ms. McKiddy is apparently
12 comparing Gateway's interest expense with the interest rate UtiliCorp projected in
13 1994. However, ** _____
14 _____
15 _____
16 _____
17 _____
18 _____
19 _____ **

20 Q. How do you respond to Ms. McKiddy's representations regarding Gateway's
21 projected return on common equity?

22 A. On page 8, and at other places in her testimony, Ms. McKiddy states that Gateway
23 has projected a ** _____ **. What she fails to

1 mention is that, as shown on Gateway's response to Staff data request number
2 3805 (attached hereto as Highly Confidential Schedule 18), this is a ** _____

3 _____
4 ** Plus, the return on common equity is only relevant in a rate proceeding.
5 This is not a rate case.

6 Q. Are the proposed capital structures "overly optimistic" as alleged by Ms.
7 McKiddy?

8 A. No. Although on page 11 of her testimony she claims the proposed capital
9 structures appear overly optimistic, knowing the amount of debt (as she does, see
10 Schedule 19), the resulting capital structure should be clear and any comparison
11 with UtiliCorp is meaningless. Also on page 10 she appears to ask one question
12 and then answer another by citing a data request that had a series of 4 questions.
13 For clarification, Gateway, will become the parent of UtiliCorp Pipeline Systems,
14 which currently owns 100% of the stock of MPC and MGC. Gateway will
15 borrow ** _____

16 _____
17 _____ **
18 While much concern appears to be made about the optimistic nature of the
19 financial projections, Ms. McKiddy ultimately concludes "Staff would determine
20 the cost of capital applied to the rate base of MPC and MGC in future rate
21 proceedings". Again it is pointed out that this is not a rate proceeding and that
22 any comparisons to the current owner or changes in economic circumstance are
23 best held for that event at some point in the future if ever that should occur.

1 Q. Please address Ms. McKiddy's second concern, which she summarizes on page
2 23 of her testimony; that "Gateway provides no formal plans to support the pro
3 forma financial statements provided to Staff."

4 A. This apparently relates to her discussion of the financial viability of MPC and
5 MGC which begins on page 13 of her testimony. In this regard, the Commission
6 should recognize that current revenues are sufficient to cover the cost of debt as it
7 was provided in response to data request 3810. Further she appears to be overly
8 concerned that the return to the equity holders will not be sufficient and while we
9 appreciate her concern, the decision regarding the likelihood of a sufficient return
10 on investment has been examined by the equity holders and they have still
11 decided to invest. She appears not to believe the responses given and states that
12 no detail was given. She would conclude that absent a specific schedule detailing
13 every project, customer, volume, rate, cost, expense and the time line necessary
14 for detailed analysis, that no plan is in place. The apparent conclusion of her
15 testimony being that she can't evaluate the detail so it must be detrimental without
16 giving any credit to the potential for benefit to the customers based solely on the
17 plan that has been given. Gateway will assert that success is not held in the
18 preparation of definitive plans but in fundamental execution of a plan and an
19 understanding of the full potential of these assets. Gateway currently has support
20 from equity investors willing to provide the necessary equity and a senior loan
21 commitment from a national bank necessary to complete the acquisition and yet
22 she concludes that pro forma financial statements are not credible. I believe that

1 the pro forma financials provided reflect the potential performance under new
2 ownership.

3 Q. Please address Ms. McKiddy's third and final concern, which she summarizes on
4 page 23.

5 A. Her third concern is in regard to the possibility of ** ***. I have
6 discussed this matter earlier in this testimony, and as shown above, this should not
7 be a concern of the Commission. Furthermore, even in Ms. McKiddy's words,
8 this is merely a "potential," and as such it does not amount to a direct and present
9 detriment which would result from the transaction.

10 Q. On page 17, Ms. McKiddy states that Staff is concerned that Mogas could pledge
11 UPL's common stock as collateral or security for its own debt, placing the assets
12 of MPC and MGC at risk. How do you respond?

13 A. First, the senior loan term sheet provided in data request 3810 clearly shows that

14 ** _____ **

15 Mogas will not own UPL stock but will own Gateway stock. Second, Ms.
16 McKiddy seems to imply on one hand that the financial viability of Gateway is
17 suspect and yet the stock is somehow valuable enough to leverage on the other.
18 What is critical to understand is that it is the investors who are at risk with their
19 substantial equity investment and not MPC and MGC.

20 **Subsidization of MPC and MGC**

21 Q. Staff witness Mark Oligschlaeger, as well as Ms. McKiddy, make the point that
22 MPC and MGC are not currently profitable to UtiliCorp, and seem to indicate that

1 this is somehow a reason why the Commission should not approve the proposed
2 transaction. How do you respond?

3 A. They seem to be saying that UtiliCorp's other operations, including its Missouri
4 Public Service division's local gas distribution operations, are subsidizing the
5 operations of MPC and MGC, and that this is a good thing in their opinion. If this
6 is in fact their position, it is certainly an unusual position for a staff of a utility
7 regulatory commission to take. Obviously Gateway believes that the operations
8 of MPC and MGC can be profitable, even without a rate case any time in the near
9 term. Otherwise, Gateway would not be seeking to acquire the companies.

10 **Oligschlaeger's Plan Concern**

11 Q. Mr. Oligschlaeger states that he is **

12
13 ** Other witnesses have made similar assertions.

14 How do you respond to this statement?

15 A. As identified in response to Ms. McKiddy, a plan was identified for **

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** Also see my previous

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testimony regarding historical growth in volumetric throughput. It appears that

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Mr. Oligschlaeger concludes that absent a fully developed detailed plan these

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actions have no value to the customers of MPC and MGC. Before the appropriate

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amount of attention can be given to developing any further detail to this plan, the

9

proposed transaction must first be approved. Staff expectations of a detailed

10

written plan are not realistic. Until these assets are acquired, no detailed

11

negotiations with the customers is possible to enable the creation of any

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Q. On page 7 of his testimony Mr. Oligschlaeger addresses his belief that UtiliCorp

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is better able to withstand unfavorable results. How do you respond?

17

A. The plain fact that UtiliCorp has entered into an agreement to sell these assets

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should be proof enough that UtiliCorp is not willing to continue to incur

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unfavorable financial results of these subsidiaries and is willing to take steps to

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change that result. UtiliCorp currently has the ability to do many of the actions

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that Staff is concerned that Gateway might do. The speculation of Mr.

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Oligschlaeger that either UtiliCorp or Gateway would consider discontinuance of

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existing service demonstrates a fundamental lack of understanding of the pipeline

1 business and is unfounded by fact. The ultimate conclusion by Mr. Oligschlaeger
2 that the transaction should be denied because UtiliCorp is larger than Gateway
3 establishes a new standard for denying the proposed transaction, which the
4 Commission should reject.

5 **Acquisition Adjustment**

6 Q. Beginning on page 8 of his testimony Mr. Oligschlaeger addresses the issue of an
7 acquisition adjustment. Office of the Public Counsel witness Kim Bolin also
8 addresses this issue on pages 4 through 22 of her rebuttal testimony. Is this an
9 issue in this case?

10 A. No. Gateway is not seeking an acquisition adjustment in this case. It is my
11 understanding that the Commission has previously indicated that the issue of an
12 acquisition adjustment is an issue for a rate case. This is not a rate case.
13 Therefore, Mr. Oligschlaeger's and Ms. Bolin's recommendations and discussions
14 regarding the acquisition adjustment issue should not be adopted in this case, but
15 should be left for the next rate case concerning the rates of MPC and MGC.

16 **Oligschlaeger Capital Structure Concern**

17 Q. On page 6, Mr. Oligschlaeger seems to indicate he believes that Gateway's

18 **

** How do you respond?

19 A. First, even if this was correct, it should not be an issue until Gateway sought to
20 increase the rates of MPC and MGC in a rate case. Therefore, it is not a
21 legitimate concern in this case. Second, from the perspective of financial viability
22 and risk, which Staff seems to be concerned about, having **

23 ** Therefore,

1 Staff appears to be inconsistent with its alleged "concerns". Third, this concern
2 appears to contradict one of the stated concerns of Office of the Public Counsel
3 ("OPC") witness Mark Burdette, who in his supplemental rebuttal testimony
4 appears to be concerned that **

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6 ** Given the apparently conflicting opinions of Staff and OPC on this
7 matter, Gateway's projected debt/equity levels must be appropriate.

8 **Burdette Cost of Capital Concern**

9 Q. OPC witness Mark Burdette claims he ** _____
10 _____
11 _____

12 _____ ** How do you respond to this claim?

13 A. Although I hate to keep repeating myself, since Staff and OPC raise so many
14 "issues" which are not truly issues for this case, I must again remind the
15 Commission that this is not a rate case, and whatever the rates may "eventually"
16 be is not an issue in this case. No rate change for MPC or MGC is being sought;
17 therefore, cost of capital should not be an issue. However, Mr. Burdette has been
18 provided with the term sheet between Gateway and its lender, which shows the
19 amount of debt being borrowed, the expected range of interest rates and the pro
20 forma cost of capital in response to staff data request 3805. The information
21 provided should be adequate for the purpose of the case at hand.
22
23

1 **Burdette Revenue Concern**

2 Q. On page 3 of his rebuttal testimony, Mr. Burdette claims that ** _____
3 _____
4 _____ **. Would you please address this
5 point?

6 A. The current unenhanced revenues of MPC/MGC from year 2000 were
7 ** _____ **. Under Gateway ownership, expenses are projected to be
8 ** _____
9 _____
10 _____ **. The
11 bottom line is, that ** _____
12 _____
13 ____ **. The current revenues are sufficient to service the debt as identified in the
14 data responses so Mr. Burdette must be concerned about the return to the equity
15 investor. This is not a basis for denying the proposed transaction. Further, since
16 the transaction is being proposed at the current net book value, any financial
17 jeopardy he may be referring to is already existing and is not created by the
18 proposed transaction.

19 **Burdette Ownership Concern**

20 Q. On page 4 of his rebuttal, beginning on line 4, Mr. Burdette states that ** ____
21 _____
22 _____ **. How do you respond to this
23 statement?

1 A. The previous lines of Mr. Burdette's testimony show this to be false. On lines 2
2 through 4 of page 4, Mr. Burdette specifically names the owners and even lists
3 their respective ranges of ownership. This is truly a non-issue.

4 **Transaction Costs**

5 Q. Beginning on page 23 of her rebuttal testimony, OPC witness Kim Bolin
6 addresses the recovery of transaction costs. Is this an issue in this case?

7 A. No. Gateway is not seeking recovery of any transaction costs in this case. Again,
8 this is not a rate case. Gateway is not seeking any changes to the rates of MPC or
9 MGC. Recovery of transaction costs need not be, and should not be, addressed in
10 this case, but should be left for the next rate case concerning the rates of MPC and
11 MGC, as should the question of acquisition adjustment recovery, if there is any.

12 **Affiliate Transactions**

13 Q. Beginning on page 24 of her rebuttal testimony Ms. Bolin addresses the issue of
14 affiliate transactions. How do you respond to this issue?

15 A. It is my understanding that the Commission currently has a rule governing
16 affiliate transactions for regulated natural gas utilities. If the transaction is
17 approved, Gateway certainly intends to see that MPC and MGC comply with
18 applicable laws and rules. I am not entirely certain exactly what it is that Ms.
19 Bolin is recommending on the issue of affiliate transactions. If she is
20 recommending that something additional be required of MPC and MGC which is
21 in addition to complying with applicable laws and regulations, I cannot agree to
22 that and do not believe she has presented sufficient reason to treat MPC and MGC

1 differently from other utilities. MPC and MGC should not be singled out on this
2 issue.

3 **Bolin Strategic Plan**

4 Q. In her supplemental rebuttal, Ms. Bolin states that the Company ** _____
5 _____ **. How do you respond?

6 A. Gateway's response was that it did not have a detailed strategic plan but provided
7 the summary strategic plan which Ms. Bolin has concluded is not detailed enough.
8 Her supplemental testimony does, however, contain Ms. Bolin's own definition of
9 what a strategic plan needs to include, precisely the what, why, where, who and
10 when as it relates to a specific goal. All of which she wants provided even before
11 the proposed transaction is approved. This application does not request authority
12 to **

13 ** Finally, Ms. Bolin has somehow concluded
14 that the Commission must establish a new standard for transactions to be
15 measured against in that potential actions that could be taken after the transaction
16 is completed must be evaluated in detail to assess the potential that some future
17 action may potentially be detrimental to the ratepayers. In the **

18 ** we would request that this
19 Commission adopt a more restrained approach.

20 **AmerenUE Witness Heins**

21 Q. Do you have any response to the rebuttal testimony of AmerenUE witness
22 Julianne Heins?

1 A. In her testimony, Ms. Heins set forth what she refers to as AmerenUE's
2 "concerns." Her concern regarding financial viability has been addressed above;
3 her concern about future rate changes is a matter for a future rate case, not this
4 case. In regard to her stated concern about operational reliability, I can say that
5 Gateway certainly intends to commit adequate resources to operate and maintain
6 the pipelines as I discussed in more detail in my direct testimony. As for her
7 stated concern regarding changes in service, Gateway is seeking no changes to the
8 tariffed services of MPC or MGC in this case, and as I stated in my direct
9 testimony, the existing customers of MPC and MGC will continue to receive
10 quality service at approved rates. As for her concern regarding the timing of the
11 acquisition, Gateway has throughout this case consistently requested expedited
12 approval of this transaction due, at least in part, to a desire similar to Ms. Heins',
13 that the transaction be completed before the onset of the winter heating season.
14 We have consistently requested authority to close this transaction by September
15 30, 2001. Although I cannot agree with Ms. Heins' suggestion that the
16 transaction be put off until next April if not consummated before mid-October, I
17 agree with her that it should be consummated before the onset of the winter
18 heating season if at all possible; however, in order to do this, an order from the
19 Commission approving the transaction is needed on an expedited basis.

20 **Laclede Gas Company Witness Pflaum**

21 Q. Laclede witness Pflaum expresses concern over the ability of Gateway **__
22 _____** How do you respond
23 to those concerns?

1 A. In his testimony, Mr. Pflaum states that Gateway ** _____

2 _____

3 _____

4 _____

5 _____

6 _____

7 _____

8 _____ **

9 Q. How does the pro-forma cost of debt pursuant to the term sheet ** _____

10 _____ ** reported by Staff witness McKiddy on

11 Schedules 2 and 3 of her testimony?

12 A. Gateway's pro-forma cost of debt ** _____

13 _____

14 _____

15 _____

16 _____ **

17 Q. Do you have any further response to the rebuttal testimony filed by Laclede Gas

18 Company witness Christopher Pflaum?

19 A. Gateway witness Jeff Makholm will address Mr. Pflaum's testimony in detail. I

20 would merely say that Mr. Pflaum's proposed conditions are inappropriate in this

21 case. Laclede appears to be trying to negotiate terms and conditions for future

22 services to be provided by MPC well beyond what is being provided today under

1 UtiliCorp ownership, while at the same time raising issues which should be
2 considered, if at all, in a future rate case.

3 **Conclusion**

4 Q. Please summarize your rebuttal testimony.

5 A. The transaction as proposed by Gateway and the other Joint Applicants is not
6 detrimental to the public interest and no other party has shown it to be
7 detrimental. The Commission should approve the transaction, without imposing
8 any additional conditions on the transaction (other than those recommended by
9 Mr. Kottwitz at page 3, line 14 through page 4, line 3 of his testimony which I
10 discussed on page 2 of this rebuttal testimony), and should also clarify whether
11 MPC is currently prohibited from connecting with certain pipeline assets which
12 cross the river into Illinois, even if those pipeline assets are owned by an entity
13 other than MPC, or if MPC is merely prohibited from connecting with those
14 pipeline assets which cross the river into Illinois if those assets are owned by
15 MPC, as provided by the original condition which was placed on MPC in Case
16 No. GA-89-126. If the Commission believes that MPC is prohibited from
17 connecting with those pipeline assets which cross the river into Illinois, even if
18 those pipeline assets are owned by an entity other than MPC, **

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1 Q. Does this conclude your rebuttal testimony?

2 A. Yes.

DAVID J. RIES
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Littleton, Colorado 80127
Office: 303-904-4874
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SUMMARY

Senior professional with twenty-seven years of management experience in strategic planning, business development, project management and operations, including extensive interaction with core business functions, administration, suppliers, governmental agencies and customers.

PROFESSIONAL EXPERIENCE

R2 DEVELOPMENT, INC. – Littleton, Colorado (1999- present)

President

Provide technical and business consulting regarding the acquisition, development, redeployment or divestment of assets utilized in the production, transportation, consumption or generation of energy components or products.

KINDER MORGAN INC. (successor to K N Energy, Inc.)

Senior Vice President, Corporate Development &
Vice President, Business Development – Lakewood, Colorado (1993-1999)

Responsible for identifying, developing and completing major acquisitions, mergers and divestitures of assets to achieve growth of new business for all pipeline related subsidiaries.

- Directed a staff of professionals located in three offices (Houston, Chicago, Denver) to provide screening, evaluation and implementation of asset based transactions to support aggressive growth objectives and capital expenditure initiatives of all business units.
- Initiated and negotiated the acquisition of a 1000 mile crude oil pipeline from Wyoming to Missouri for conversion to natural gas service including the completion of the sale of 100% of the available transportation capacity prior to start up. This transaction increased the scope of companies interstate pipeline business by 50%
- Identified and successfully purchased additional gathering and processing assets to double the size of companies non-regulated gathering businesses.
- Provided the integration strategy and directed the economic evaluation for the acquisition of MidCon Corp which more than doubled the size of the corporation.

Chief Engineer - Lakewood, Colorado (1988-1993)

Responsible for all project engineering and facility planning functions for the corporation and various pipeline subsidiaries with extensive involvement in acquisitions and new business development.

- Provided company representation in the conceptualization and initial development of a \$180MM project for providing additional natural gas transportation capacity from the Rocky Mountains (TransColorado Gas Transmission).
- Initiated and sponsored a user based team to develop a better way of handling company facility records and allowing better access by all users resulting in the implementation of a Geographic Information System.
- Initiated, developed and negotiated the purchase of a gathering system, which became the first assets for the company's non-regulated gathering subsidiary.
- Provided the leadership for the development and implementation of a multi-functional strategic plan for the company's Colorado Western Slope activities.
- Provided extensive participation in negotiating a joint venture agreement with a major customer for a \$28.6MM project.

ENRON CORP

Chief Engineer - Houston, Texas (1986-1988)

Directed a staff of senior level engineers and project managers in the development, analysis, and implementation of projects on the western half of the ENRON gas pipeline system.

- Managed up to \$70MM annually in pipeline construction projects resulting in the successful attainment of marketing, supply, transportation and operating objectives
- Supervised the development of proposals for facility expansion including cost estimates while providing consultation to company negotiators, which resolved conceptual, operational, and technical concerns and resulted in the approval of several major projects
- Investigated and interviewed engineering consulting firms and executed contracts which acquired technical design services and resulted in a 100% reduction of backlogged design projects.
- Originated a proposal and guided the development of a local area network computer system which standardized work methods and improved project status reporting.

Director of Engineering - Omaha, Nebraska (1981-1986)

Managed the engineering department for Northern Natural Gas Company consisting of 40 engineers and designers providing cost effective design of new plants, pipelines, compression, measurement, and revisions to existing facilities.

- Developed, promoted, and directed a program emphasizing market responsive engineering and construction services which accelerated several spot market projects resulting in increased sales, teamwork, and profits. (Received an executive performance award for this effort).
- Implemented the centralization of the project engineering staff from five regional offices while reducing authorized staff by 25%.
- Participated in the development of annual capital plans which provided for the orderly commitment and prioritizing of capital funds.
- Reorganized the design process and established the utilization of Computer Assisted Design (CAD) procedures which reduced project drafting requirements and improved design standardization.

Manager of Materials - Omaha, Nebraska (1977-1981)

Directed the planning, forecasting and control of the investment in materials required for facility expansion, emergency repairs, and operating spare parts. Developed a lead role in the disposition of surplus assets.

- Initiated the development, staffing, and operation of two warehouses for the collection of construction materials from district locations resulting in the elimination of \$1.1MM of obsolete material, a 40% reduction in investment, and a 200% increase in turnover rate while reducing material handling costs.
- Developed stocking guidelines and initiated management approval criteria for the purchase of replacement parts resulting in a 24% reduction in spare parts stock.
- Created a program to remove from service obsolete pipelines and plants, which substantially increased the reuse of materials and equipment within the company.
- Initiated and provided leadership for the sale of surplus materials and used equipment resulting in a 500% increase in sales over three years.

Project Engineer/Senior Project Engineer - Des Moines, Iowa (1974-1977)

Provided project design services, contract preparation, and construction supervision in a five state operating area assuring that projects were completed on time within authorized amounts.

- Implemented a \$12MM natural gas underground storage field expansion, which increased cycle volume by 20 BCF.
- Developed specifications, solicited bids, and evaluated proposals for the competitive purchase of equipment.
- Participated in the development of capital and operating budgets providing review and approval of project cost estimates and projected operating costs.
- Conducted audits of all operating locations, which assured compliance with all operating, record keeping and safety requirements.
- Assisted in the implementation of a computerized maintenance program for scheduling and documenting routing maintenance task completion, which assured compliance with code requirements.

H.R. GREEN COMPANY - Cedar Rapids, Iowa (1973-1974)

Consulting Engineer

- Provided field inspection, detailed designs and structural analysis services of road bridges for cities, counties, and state transportation agencies.

EDUCATION

Bachelor of Science in Civil Engineering
Iowa State University - Ames, Iowa 1973
Registered Professional Engineer
State of Iowa, 8379 Active

**SCHEDULE 17 HAS BEEN DEEMED
HIGHLY CONFIDENTIAL
IN ITS ENTIRETY**

**SCHEDULE 18 HAS BEEN DEEMED
HIGHLY CONFIDENTIAL
IN ITS ENTIRETY**

**SCHEDULE 19 HAS BEEN DEEMED
HIGHLY CONFIDENTIAL
IN ITS ENTIRETY**

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

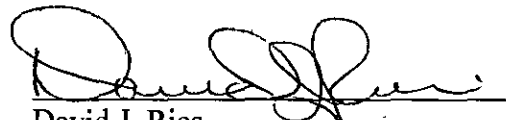
In the Matter of the Joint Application of)
Gateway Pipeline Company, Inc.,)
Missouri Gas Company and Missouri)
Pipeline Company.)

Case No. GM-2001-585

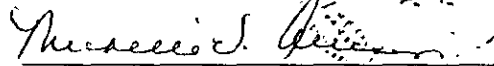
County of Jefferson)
)
State of Colorado)

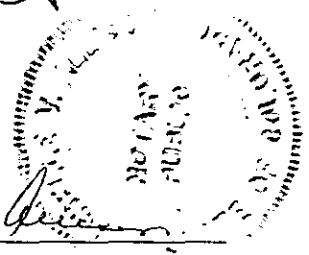
AFFIDAVIT OF DAVID J. RIES

David J. Ries, being first duly sworn, deposes and states that he is the witness who sponsors the accompanying testimony and schedules entitled rebuttal testimony; that said testimony and schedules were prepared by him or under his direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge, information and belief.


David J. Ries

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


Notary Public



My Commission expires:

03-30-2003