

Exhibit No.:

Issues:

Conditions to be made part of
approved sale/merger

Witness:

Michael J. Wallis

Sponsoring Party:

MoPSC Staff

Type of Exhibit:

Rebuttal Testimony

Case No.:

GM-2000-312

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

MICHAEL J. WALLIS

**ATMOS ENERGY CORPORATION
AND
ASSOCIATED NATURAL GAS COMPANY**

CASE NO. GM-2000-312

Jefferson City, Missouri
March 2000

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Missouri Public
Service Commission

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**Missouri Public
Service Commission**

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REBUTTAL TESTIMONY
OF
MICHAEL J. WALLIS
ATMOS ENERGY CORPORATION
AND
ASSOCIATED NATURAL GAS COMPANY
CASE NO. GM-2000-312

Q. Please state your name and business address.

A. Michael J. Wallis, P.O. Box 360, Jefferson City, Missouri 65102.

Q. By whom are you employed and in what capacity?

A. I am a Regulatory Auditor with the Missouri Public Service Commission
(Commission).

Q. Please describe your educational and professional background.

A. I graduated from Central Missouri State University at Warrensburg,
Missouri and received a Bachelor of Science degree in Business Administration, with a
major in Accounting, in July 1986. I am currently a licensed Certified Public Accountant
in the state of Missouri.

Q. What has been the nature of your duties while in the employ of the
Commission?

A. Under the direction of both the Manager of the Accounting Department
(August 1987 to November 1992) and the Manager of the Procurement Analysis
Department (October 1993 to the current time), I have assisted with audits and

Rebuttal Testimony of
Michael J. Wallis

1 examinations of the books and records of utility companies operating within the state of
2 Missouri.

3 Q. Have you previously filed testimony before this Commission?

4 A. Yes. Schedule 1, attached to my rebuttal testimony, is a list of cases in
5 which I have filed testimony before this Commission.

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

7 A. The purpose of my rebuttal testimony is to recommend eight specific
8 conditions that should be made part of any Commission decision to approve the
9 Associated Natural Gas Company (ANG)/Atmos Energy Corporation (AEC) sale.

10 Q. What is the first condition that you would recommend be made part of any
11 Commission decision to approve the ANG/AEC sale?

12 A. I recommend that the Commission not approve the sale unless ANG and
13 AEC are willing to accept the following condition:

14 Atmos Energy Corporation agrees to conduct thorough, detailed, well
15 documented Request For Proposal bidding processes for all of its long-term gas
16 supply contracts including any gas supplies purchased from Associated Natural
17 Gas Company which were withdrawn from ANG's Liquefied Natural Gas plant.

18 This condition is necessary to ensure that Missouri ratepayers receive reasonably
19 priced, market based gas supplies.

20 Q. What is the second condition that you would recommend be made part of
21 any Commission decision to approve the ANG/AEC sale?

22 A. I recommend that the Commission not approve the sale unless
23 ANG and AEC are willing to accept the following condition:

24 Acknowledgment and agreement that neither Atmos Energy Corporation nor
25 Associated Natural Gas Company will challenge or impede the Commission
26 Staff's discovery rights or the litigation process with regard to any prudence or
27

1 compliance issues relating to (1) any open ACA cases involving Associated
2 Natural Gas Company at the time of the completion of the sale and (2) any joint
3 agreements and/or contracts between AEC and ANG (including any agreements
4 and/or contracts relating to the Liquefied Natural Gas facility being retained by
5 Associated Natural Gas Company) which remain in effect after the sale.

6
7 This condition is necessary in order to ensure that the Staff retains its discovery
8 and litigation rights with regard to any issues, involving ANG, which may arise after the
9 sale is complete.

10 Q. What is the third condition that you would recommend be made part of
11 any Commission decision to approve the ANG/AEC sale?

12 A. I recommend that the Commission not approve the sale unless
13 ANG and AEC are willing to accept the following condition:

14 Acknowledgment and agreement that the Commission may access and
15 require without subpoena the production of all accounts, books, contracts,
16 records, documents, memoranda, and papers of Atmos Energy
17 Corporation and/or Associated Natural Gas Company with regard to (1)
18 any open ACA cases involving Associated Natural Gas Company at the
19 time of the completion of the sale and (2) any joint agreements and/or
20 contracts between AEC and ANG (including any agreements and/or
21 contracts relating to the Liquefied Natural Gas facility being retained by
22 Associated Natural Gas Company and/or the assets of ANG which are
23 purchased by AEC) which remain in effect after the sale.

24
25 (The above language should be deemed to include, but not be limited to, invoices,
26 allocation methodologies, reports, studies, analyses, calculations, gas supply models, and
27 dispatch models.)

28 This condition is necessary to ensure that Staff has access to all records of both
29 ANG and AEC which relate to the sale and to issues which may arise after the sale is
30 complete.

31 Q. What is the fourth condition that you would recommend be made part of
32 any Commission decision to approve the ANG/AEC sale?

1 A. I recommend that the Commission should not approve the sale unless
2 ANG and AEC are willing to accept the following condition:

3 Acknowledgment and agreement that the Commission may require of
4 Associated Natural Gas Company and/or Atmos Energy Corporation
5 answers, and/or the appearance of officers or employees without subpoena
6 to provide answers to questions upon which the Commission may need
7 information respecting (1) any open ACA cases involving Associated
8 Natural Gas Company at the time of the completion of the sale and (2) any
9 joint agreements and/or contracts between AEC and ANG (including any
10 agreements and/or contracts relating to the Liquefied Natural Gas facility
11 being retained by Associated Natural Gas Company and/or the assets of
12 ANG which are purchased by AEC) which remain in effect after the sale.

13
14 This condition is necessary to ensure that Staff has access to all employees of both
15 ANG and AEC who may have knowledge of the sale and of issues which may arise after
16 the sale is complete.

17 It would be detrimental to the Missouri ratepayers if the Commission did not have
18 the access identified in the third and fourth conditions previously described because the
19 Commission's audit function would be impaired thereby diminishing the Commission's
20 ability to set just and reasonable rates.

21 Q. What is the fifth condition that you would recommend be made part of any
22 Commission decision to approve the ANG/AEC sale?

23 A. I recommend that the Commission not approve the sale unless ANG and
24 AEC are willing to accept the following condition:

25 Acknowledgment and agreement that neither Atmos Energy Corporation nor
26 Associated Natural Gas Company will increase rates to Missouri customers
27 through the PGA/ACA process by charging any type of gas supply demand
28 charge, gas supply commodity premium, agency fee, transportation charges, or
29 any other cost or rate designed to recover the costs associated with the Liquefied
30 Natural Gas plant.

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1 This condition is necessary to ensure that Missouri ratepayers are not charged
2 twice for the costs related to the Liquefied Natural Gas Plant which is being retained by
3 ANG. The non-ACA gas costs associated with the Liquefied Natural Gas Plant are
4 currently being recovered by ANG through rates established in its most recent rate case.
5 Thus, ANG should not be allowed to charge these same Liquefied Natural Gas Plant
6 costs to AEC through the ACA process in the form of a demand charge or gas supply
7 premium.

8 Q. What is the sixth condition that you would recommend be made part of
9 any Commission decision to approve the ANG/AEC sale?

10 A. I recommend that the Commission not approve the sale unless ANG and
11 AEC are willing to accept the following condition:

12 Atmos Energy Corporation agrees to conduct a thorough, detailed, well-
13 documented peak day study, to be completed by August 30, 2000, with regard to
14 the new system and contracts which it purchased from ANG.

15
16 This condition is necessary to ensure that Staff has access to adequate AEC
17 records with which it can evaluate the effects of the sale in future ACA and rate cases.

18 Q. What is the seventh condition that you would recommend be made part of
19 any Commission decision to approve the ANG/AEC sale?

20 A. I recommend that the Commission not approve the sale unless ANG and
21 AEC are willing to accept the following condition:

22 Atmos Energy Corporation agrees to ensure that (1) existing overall ANG
23 Missouri peak day firm gas supply sources, firm transportation capacity, and firm
24 storage capacity (including supplies withdrawn and/or capacity used from the
25 Liquefied Natural Gas plant) are maintained at current overall ANG Missouri
26 levels before and after the sale is completed and (2) any changes made by AEC,
27 before and after the sale is completed, with regard to ANG's current overall firm
28 peak day supply and/or transportation levels and firm peak day supply and/or
29 transportation mix do not increase costs to Missouri ratepayers.

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2 This condition is necessary to ensure that any gas supply, transportation, and/or
3 storage related purchasing and contracting decisions made by AEC after the sale is
4 completed do not (1) reduce gas supply reliability to Missouri ratepayers and/or (2)
5 increase costs to Missouri ratepayers.

6 Q. What is the eighth condition that you would recommend be made part of
7 any Commission decision to approve the ANG/AEC sale?

8 A. I recommend that the Commission not approve the sale unless ANG and
9 AEC are willing to accept the following condition:

10 Atmos Energy Corporation accepts that adjustments may be necessary in future
11 proceedings (1) to avoid possible detriment associated with the reallocation of gas
12 supply, transportation, and storage contracts and (2) to reflect any detriment
13 associated with reallocation of common transmission mains, use of AEC
14 transmission mains by ANG, or other common plant facilities.

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16 This condition is necessary to ensure that the cost effects of segregating the ANG
17 integrated system are not detrimental to Missouri ratepayers.

18 Q. Please summarize your rebuttal testimony.

19 A. I believe it is necessary to attach conditions to this sale, and therefore
20 recommend that if the Commission approves the ANG/AEC sale, ANG and AEC be
21 required to accept all eight conditions described above.

22 Q. Does this conclude your rebuttal testimony?

23 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Joint Application of)
Atmos Energy Corporation and Arkansas)
Western Gas Company, d/b/a Associated)
Natural Gas Company, for an Order)
Authorizing the Sale and Transfer of)
Certain Assets of Associated Natural Gas)
Company Located in Missouri to Atmos)
Energy Corporation and Either Authorizing)
the Transfer of Existing Certificates of)
Public Convenience and Necessity or)
Granting a New Certificate of Public)
Convenience and Necessity to Atmos Energy)
Corporation in Conjunction with Same.)

Case No. GM-2000-312

AFFIDAVIT OF MICHAEL J. WALLIS

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

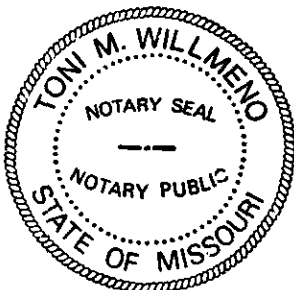
Michael J. Wallis, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 6 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has 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.

Michael J. Wallis
MICHAEL J. WALLIS

Subscribed and sworn to before me this 1st day of March 2000.

Toni M. Willmeno
Notary Public

My Commission Expires: _____



TONI M. WILLMENO
NOTARY PUBLIC STATE OF MISSOURI
COUNTY OF CALLAWAY
My Commission Expires June 24, 2000

SUMMARY OF RATE CASE INVOLVEMENT

MICHAEL J. WALLIS

<u>COMPANY NAME</u>	<u>CASE NO.</u>
St. Joseph Light & Power Company	GR-88-115
Capital City Water Company	WR-88-215
GTE North Incorporated	TR-89-182
The Empire District Electric Company	WR-90-56
The Empire District Electric Company	ER-90-138
Ozark Natural Gas Company	GA-90-321
United Cities Gas Company	GR-91-249
St. Joseph Light & Power Company	EC-92-214
Western Resources Inc.	GR-93-140
Tartan Energy Company, L.C.	GA-94-127
Associated Natural Gas Company	GR-94-189
Associated Natural Gas Company	GR-95-213
Missouri Public Service	GR-95-273
Union Electric Company	EM-96-149
Laclede Gas Company	GR-96-181
Missouri Public Service	GR-96-192
Laclede Gas Company	GR-96-193
Associated Natural Gas Company	GR-96-227
Missouri Gas Energy	GR-96-450
Atmos Energy Corporation and United Cities Gas Company	GM-97-70
Associated Natural Gas Company	GR-97-191
Associated Natural Gas Company	GR-97-272
Missouri Gas Energy	GO-97-409
United Cities Gas Company	GO-97-410
Laclede Gas Company	GR-98-297
Missouri Gas Energy	GC-98-335
Laclede Gas Company	GR-98-374
Laclede Gas Company	GT-99-303
Laclede Gas Company	GR-99-315