

Exhibit No.:

Witness: Michael W. Straub

Issues: Tariff Sheets

Sponsoring Party: MoPSC Staff

Type of Exhibit: Direct Testimony

Case No.: GC-98-335

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PUBLIC SERVICE COMMISSION

MISSOURI PUBLIC SERVICE COMMISSION
UTILITY OPERATIONS DIVISION

MISSOURI GAS ENERGY,
a Division of
SOUTHERN UNION COMPANY
CASE NO. GC-98-335

FILED
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MISSOURI
PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY
OF
MICHAEL W. STRAUB

Jefferson City, Missouri
February 1998

DIRECT TESTIMONY
OF
MICHAEL W. STRAUB
MISSOURI GAS ENERGY
CASE NO. GC-98-335

Q. Please state your name and business address.

A. Michael W. Straub, 301 West High Street, Jefferson City, Missouri 65101.

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

A. I am employed by the Missouri Public Service Commission (Commission) as the Assistant Manager-Rates in the Natural Gas Department of the Operations Division.

Q. How long have you been employed by the Commission?

A. Since August, 1970.

Q. Have you previously testified before this Commission?

A. Yes, I have. The cases in which I have submitted testimony are listed in my attached Schedule 1.

Q. Please describe your qualifications, education and experience.

A. In 1970, I graduated from Capital Business College of Jefferson City, Missouri with a two-year degree in Accounting. Upon graduation, I was employed by the Missouri Public Service Commission as an Engineering Aide in the Depreciation and Valuation Section, where my duties consisted of the assistance and preparation of studies relating to depreciation rates, trended original cost, and trended original cost less depreciation. Beginning in 1976, my primary responsibility with the Commission as a Rate & Tariff Examiner included the review of tariffs, complaints and rate increase proposals for electric and steam operations. In November 1990, natural gas operations were added to these duties. In May 1995, I became Assistant Manager-Rates in the Energy Department where my duties were expanded to include the administrative functions. Beginning December 1, 1997, I assumed my current position of Assistant Manager-Rates in the Natural Gas Department where my responsibilities include the review of formal complaints, applications, tariff filings, cost of

Direct Testimony of
Michael W. Straub

1 service, rate design, weather normalization and administrative functions.

2 Q. What is the purpose of your testimony in this case?

3 A. I will recommend tariff modifications that are necessary to implement the Missouri
4 Public Service Commission Staff's (Staff) recommendation in this case.

5 Q. Will you please describe the proposed tariff modifications?

6 A. Yes. I have attached as Schedule 2, the currently approved Tariff Sheet Nos. 14, 20
7 and 24.2 through 24.5 which will require modification should the Commission order the elimination
8 of the Experimental Gas Cost Incentive Mechanism (EGCIM). The following modifications would
9 need to be made to terminate the EGCIM:

- 10 1. Tariff Sheet No. 14 would have to be modified in two locations. The first
11 modification would require the removal of the following language "All
12 references to the Experimental Gas Cost Incentive Mechanism (EGCIM) in
13 the Company's approved tariff sheets, shall be construed to mean this
14 Purchased Gas Adjustment Clause." which is the second sentence located in
15 I. DESCRIPTION OF THE PURCHASED GAS ADJUSTMENT. The
16 second modification would require the removal of the following language "...
17 , including any incentive adjustments related to the EGCIM (Section IX of
18 this clause)" which is located in section A. 1. second paragraph in item Actual
19 Cost Adjustment (ACA);
- 20 2. Tariff Sheet No. 20 would have to be modified to reflect the removal of the
21 following language "The applicability of a prudence review of procurement
22 costs will be applied consistent with the Report and Order in Case No. GO-
23 94-318 Phase II." which is contained in Section C. Review of Costs;
- 24 3. Tariff Sheet Nos. 24.2 through 24.5 would have to be modified to reflect the
25 elimination of all language contained in Section IX Experimental Gas Cost

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1 Incentive Mechanism, and;

2 4. In addition to the references listed above any other reference to the EGCIM
3 shall be removed from the Company's approved tariff sheets.

4 Q. Does this conclude your prefiled direct testimony?

5 A. Yes.

My Commission Expires: _____ My Commission Exp. 06/18/2001

MISSOURI GAS ENERGY,
a Division of
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CASE NO. GC-98-335

CASES IN WHICH MICHAEL W. STRAUB FILED TESTIMONY

The Empire District Electric Company	ER-77-210
Sho-Me Power Corporation	ER-78-272
Sho-Me Power Corporation	ER-78-293
Sho-Me Power Corporation	ER-79-37
Glenwood Light & Power Company	ER-78-300
Missouri Public Service Company	ER-79-60
Missouri Public Service Company	ER-79-61
Sho-Me Power Corporation	ER-79-106
The Gas Service Company	GR-79-114
Kansas City Power & Light Company	ER-80-48
Peoples Natural Gas Division	GR-80-155
Kansas City Power & Light Company	ER-80-204
Missouri Utilities Company	ER-80-215
Missouri Public Service Company	ER-80-231
St. Joseph Light & Power Company	ER-81-43
St. Joseph Light & Power Company	HR-81-45
Missouri Public Service Company	ER-81-85
Sho-Me Power Corporation	ER-81-115
Missouri Public Service Company	ER-81-154
Missouri Edison Company	ER-81-276
Missouri Utilities Company	ER-81-346
Kansas City Power & Light Company	ER-82-66
Kansas City Power & Light Company	ER-82-67
Missouri Public Service Company	ER-82-213
Missouri Utilities Company	ER-82-246
Missouri Public Service Company	ER-83-40
Union Electric Company	EM-83-248
Union Electric Company	ER-84-168
Kansas City Power & Light Company	ER-85-128
Sho-Me Power Corporation	EA-87-47
Consolidated Electric Service Company	EA-87-85
Boone Electric Service Company	EA-87-99
St. Joseph Light & Power Company	HR-88-116
Kansas City Power & Light Company	HM-90-4
Trigen-Kansas City District Energy Corporation	HA-90-5
Union Electric Company	EC-91-349
Kansas City Power & Light Company	ER-92-181
Union Electric Company	EC-92-276
Union Electric Company	EC-92-277
St. Joseph Light & Power Company	ER-94-163
Laclede Gas Company	GR-94-220
Union Electric Company	EC-95-58
Union Electric Company	ET-95-209
Kansas City Power & Light Company	EO-95-181
Kansas City Power & Light Company	EC-96-57
Union Electric Company	EC-96-255
Citizens Electric Corporation	ER-97-286
Missouri Gas Energy, a division of Southern Union Company	GO-97-409
United Cities Gas Company	GO-97-410

Missouri Gas Energy,
a Division of Southern Union Company
Name of Issuing Corporation

For: All Missouri Service Areas

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PURCHASED GAS COST ADJUSTMENT
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I. DESCRIPTION OF THE PURCHASED GAS COST ADJUSTMENT Public Service Commission

The charges which the Company makes for gas shall be subject to increases or decreases due to increases or decreases in the cost of gas charged by the Company's suppliers or in the transportation service costs charged by the pipelines transporting such gas. All references to the Experimental Gas Cost Incentive Mechanism (EGCIM) in the Company's approved tariff sheets, shall be construed to mean this Purchased Gas Adjustment Clause. For the purpose of this clause, the term "supplier" shall include any broker, producer, marketer, transporter or pipeline which facilitates natural gas deliveries to the city gate. For the purpose of the computations herein, the PGA computational volumes to be used in determining the cost of gas shall be those set forth in Section VIII of this Schedule.

A. Contents of PGA

1. The purchased gas cost adjustment price shall be the sum of the following items:

Current Cost of Gas (CCG) - A per Mcf factor to reflect the current estimate of the annualized cost of various natural gas services purchased by the Company, including but not limited to firm and interruptible gas supply, gathering, processing and treating services, firm and interruptible transportation service, storage services and any service which bundles or aggregates these various services. Such factor shall also reflect the Price Stabilization Charge as defined in Section X of this Purchased Gas Adjustment Clause and the Unscheduled Filing Adjustment (UFA) as defined in this Section.

Actual Cost Adjustment (ACA) - A per Mcf factor to reflect the annual reconciliation of actual purchased gas and pipeline service costs with the actual recovery of such costs through the application of this Purchased Gas Adjustment Clause, including any incentive adjustments related to the EGCIM (Section IX of this clause) and any DCCB adjustments. Revised ACA factors shall be filed with the Winter PGA Filing.

Refund - A per Mcf factor to reflect refunds received by the Company in connection with purchased gas and/or pipeline services.

DATE OF ISSUE: August 8, 1997
month day year

DATE EFFECTIVE: August 15 1997
month day year

ISSUED BY: Charles B. Hernandez

Director, Pricing and Regulatory Affairs
Missouri Gas Energy, Kansas City, Missouri 64111

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This adjustment shall be rounded to the nearest \$0.0001 per Mcf and applied to the following Winter PGA and subsequent Summer PGA, except for a transitional period during which the ACA adjustment for the July 1996 through June 1997 ACA year will apply to the PGA effective with the first billing cycle in the billing month of September, 1997 and ending when the Winter 1998 PGA rate becomes effective.

The "Actual Cost Adjustment" shall remain in effect until superseded by a subsequent "Actual Cost Adjustment" calculated according to this provision. The Company shall file any revised ACA on Sheet No. 24.7 in the same manner as all other Purchased Gas Cost Adjustments.

B. Deferred Carrying Cost Balance (DCCB)

Carrying costs shall be applied to certain deferred gas cost balances in the Company's ACA Account through operation of the DCCB. The DCCB is the cumulative under- or over-recovery of gas costs at the end of each month for each annual ACA period. For each such month, the under- and over-recovery of gas costs to be included in the DCCB shall be the product of (a) the difference between the actual annualized unit cost of gas (including the cost of gas withdrawn from storage) and the estimated annualized unit cost of gas factor included in the Company's then most recent PGA filing, times (b) the actual volumes of gas billed during such month.

Each month, carrying costs, at a simple rate of interest equal to the prime bank lending rate (as published in The Wall Street Journal on the first business day of the following month), minus one (1) percentage point, shall be credited to customers for any over-recovery of gas costs, or credited to the Company for any under-recovery of gas costs only when, and to the portion of the balance amount which, exceeds five percent (5%) of the Company's Annual Gas Cost Level.

Any DCCB amount existing at the end of the Company's ACA period, including interest, shall be included in the determination of the new ACA factor to be effective in the Winter PGA Filing. The DCCB may be charged to or collected from customers through implementation of the Unscheduled Winter PGA Filing as described in Section I.B.2 of this Schedule. The revenue collected through the UFA charge shall be credited monthly to the DCCB.

C. Review of Costs

The Refund, TOP, Transition Cost, IR and IA accounts shall be reviewed concurrently with the ACA audit. Pipeline transportation costs, and storage costs shall be subject to audit and prudence review. The applicability of a prudence review of procurement costs will be applied consistent with the Report and Order in Case No. GO-94-318 Phase II.

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Director, Pricing and Regulatory Affairs

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PURCHASED GAS COST ADJUSTMENT
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IX. EXPERIMENTAL GAS COST INCENTIVE MECHANISM

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This Section IX implements an experimental gas cost incentive mechanism consistent with the Report and Order in Case No. GO-94-318, Phase II, whereby the Company and its customers share in specified savings and revenues realized by the Company in acquiring, utilizing, and managing its gas supply portfolio.

This Section IX (Sheet Nos. 24.2 - 24.5) shall remain in effect until the Commission orders an end to this experimental procedure at some point after June 30, 1999 or the Commission removes the experimental aspect, or changes to the sheets become effective pursuant to law.

- A. Effective August 15, 1997, The Company shall retain in an Incentive Revenue ("IR") Account a portion of certain savings the Company realizes in connection with the acquisition and management of its gas supply portfolio.
- B. The total revenue realized from the release of pipeline capacity to another party, shall be included in the Deferred Purchased Gas Cost Account and adjusted for that portion of revenue retained by the Company in the IR account according to the following percentages:

Capacity Release Credit

Company Retention Percentage

First \$200,000	50%
Next \$200,000	40%
Next \$200,000	30%
Next \$200,000	20%
Amounts Over \$800,000	10%.

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C. The Company shall debit or credit the Incentive Adjustment Account and credit or debit the IR account with 50 percent of the decrease or increase, respectively, in the costs the Company incurs to purchase natural gas supplies (excluding Wyoming Tight Sands Costs) from any producer or marketer ("Procurement Costs") for system supply purposes in accordance with the following procedure and definitions:

- (i) A benchmark unit cost of gas shall be established for each month of the Company's ACA year which shall be set equal to the weighted average spot gas price, as defined in (ii) below, plus 4%.
- (ii) A weighted average spot gas price shall be developed by using Inside FERC Gas Market Report first-of-the-month indices and weighting the "Williams Natural Gas Company-Texas, Oklahoma and Kansas" and "Panhandle Eastern Pipeline Company - Texas, Oklahoma (mainline)" by 70% and 30% respectively.
- (iii) A benchmark cost of gas shall be computed for each month of the ACA year by multiplying total natural gas purchase volumes (excluding Wyoming Tight Sands volumes) for system supply by the benchmark unit cost calculated in (i) above.
- (iv) A cumulative benchmark cost of gas shall be computed by summing the benchmark cost of gas for all of the months of the ACA year or portion thereof.
- (v) At the end of the ACA year, the Company shall compare the cumulative benchmark cost of gas to the actual cumulative cost of purchased natural gas supplies (excluding Wyoming Tight Sands Costs) for system supply purposes.
- (vi) If the Company's cumulative actual cost of gas is greater than the cumulative benchmark cost of gas but less than or equal to 104% of the cumulative benchmark cost of gas, the IA Account is not affected.

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PURCHASED GAS COST ADJUSTMENT
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- (vii) If the Company's cumulative actual cost of gas is greater than 104% of the cumulative benchmark cost of gas but less than or equal to 110% of the cumulative benchmark cost of gas, the IA Account is credited and the IR Account is debited with 50% of the difference between the cumulative actual cost of gas and 104% of the cumulative benchmark cost of gas.
- (viii) If the Company's cumulative actual cost of gas is greater than 110% of the cumulative benchmark cost of gas the IA Account is credited and the IR Account is debited with 50% of the difference between 104% of the cumulative benchmark cost of gas and 110% of the cumulative benchmark cost of gas.
- (ix) If the Company's cumulative actual cost of gas is less than the cumulative benchmark cost of gas but not less than 94% of the cumulative benchmark cost of gas, the IA Account is debited and the IR Account is credited with 50% of the difference.
- (x) If the Company's cumulative actual cost of gas is less than 94% of the cumulative benchmark cost of gas the IA Account is debited and the IR Account is credited with 50% of the difference between 94% of the cumulative benchmark cost of gas and the cumulative benchmark cost of gas.

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- D. The debits or credits from this Experimental Gas Cost Incentive Mechanism shall be allocated to the Company's on-system sales only.
- E. For each ACA year, the debits and credits recorded in the IA Account, including any balance from the previous year, shall be accumulated to produce a cumulative balance of incentive adjustments. For purposes of computing new ACA factors for the subsequent twelve-month period beginning with the September revenue month for 1997, the November revenue month thereafter, such cumulative incentive adjustment balances shall be combined with the appropriate Deferred Purchased Gas Costs Account balances.

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