Exhibit No.:
Issues: *Purchasing Practices; Reliability Analysis*
Witness: *Lesa A. Jenkins*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case Nos.: *GR-2001-382, GR-2000-425, GR-99-304 & GR-98-167 (Consolidated)*
Date Testimony Prepared: *March 18, 2003*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

LESA A. JENKINS

MISSOURI GAS ENERGY
CASE NOS. GR-2001-382, GR-2000-425, GR-99-304 & GR-98-167
(Consolidated)

Jefferson City, Missouri
March 2003

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

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BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's Purchased Gas Adjustment Tariff Revisions to be Reviewed in its 2000-2001 Actual Cost Adjustment	)))	**Case No. GR-2001-382**
In the Matter of Missouri Gas Energy's Purchased Gas Cost Adjustment Factors to be Reviewed in its 1999-2000 Actual Cost Adjustment	)))	**Case No. GR-2000-425**
In the Matter of Missouri Gas Energy's Purchased Gas Cost Adjustment Factors to be Reviewed in its 1998-1999 Actual Cost Adjustment	)))	**Case No. GR-99-304**
In the Matter of Missouri Gas Energy's Purchased Gas Cost Adjustment Tariff Revisions to be Reviewed in its 1997-1998 Actual Cost Adjustment	)))	**Case No. GR-98-167**

AFFIDAVIT OF LESA A. JENKINS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Lesa A. Jenkins, being of lawful age, on her oath states: that she has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 12 pages to be presented in the above case; that the answers in the following Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

Lesa A. Jenkins

Subscribed and sworn to before me this 14th day of March 2003.

D SUZIE MANKIN
Notary Public - Notary Seal
STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXP. JUNE 21,2004

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REBUTTAL TESTIMONY OF

LESA A. JENKINS

MISSOURI GAS ENERGY

CASE NOS. GR-2001-382, GR-2000-425, GR-99-304, GR-98-167

(CONSOLIDATED)

LIST OF SCHEDULES OF

REBUTTAL TESTIMONY OF

LESA A. JENKINS

MISSOURI GAS ENERGY

CASE NOS. GR-2001-382, GR-2000-425, GR-99-304, GR-98-167

(CONSOLIDATED)

REBUTTAL TESTIMONY

OF

LESA A. JENKINS

MISSOURI GAS ENERGY

CASE NOS. GR-2001-382, GR-2000-425, GR-99-304, GR-98-167

(CONSOLIDATED)

Q. Please state your name and business address.

A. Lesa A. Jenkins, P.O. Box 360, Jefferson City, MO 65102.

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

A. I am a Regulatory Engineer in the Procurement Analysis Department with the Missouri Public Service Commission (Commission).

Q. Are you the same Lesa A. Jenkins who filed direct testimony in the consolidated Case Nos. GR-2001-382, GR-2000-425, GR-99-304, and GR-98-167?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the direct testimony of Missouri Gas Energy witnesses Michael T. Langston and John J. Reed related to Staff's proposed adjustments for Missouri Gas Energy (MGE or Company), Case Nos. GR-2001-382 and GR-2000-425. My rebuttal testimony is specifically related to "Purchasing Practices-Storage" in Case No. GR-2001-382 and "Reliability Analysis" in Case Nos. GR-2001-382 and GR-2000-425.

PURCHASING PRACTICES-STORAGE

Q. Mr. Langston makes statements that Staff's proposal is fatally flawed because it is based on a calculated first-of-month flowing supplies based on an average monthly demand and that MGE does not base their planned level of monthly flowing supplies on an average monthly demand (Langston direct, p. 48. ll. 6-20 and p.50, ll. 9-19 and p. 54, ll. 14-17). Additionally, Mr. Reed makes similar statements about Staff relying on average monthly demand (Reed direct, p. 18, ll. 10 –23, and p. 19, ll. 1-6). Do you agree with these statements?

A. No. First, it should be clarified that Staff did not calculate the "average monthly demand." These numbers were taken from the Company's Supply/Demand Summary included in the Company responses to DR Nos. 21 and 68, included as Schedules 5 and 6 of my direct testimony. Since these numbers were reasonably close to the base case monthly demand numbers provided in the Company's Reliability Report for 30-year normal weather, Staff accepted the monthly demand numbers in the Company's Supply/Demand Summary for purposes of this evaluation.

Second, it should be clarified that the daily numbers shown on the Company's Supply/Demand Summary for each month are simply the monthly numbers divided by the number of days in the month. Thus, this Company calculation represents average daily demand. The Company number is not a minimum level of daily demand.

Third, it should be noted, that Staff did not plan on flowing supplies equal to the average monthly demand. Staff planned on flowing supplies in November 2000 – January 2001 that covered warmest month's requirements based on the Company's estimates provided in its Reliability Report. Staff understands that some days in the month would actually be warmer, but as noted by the Company, the Company has some flexibility with its

storage contracts and actually plans to inject up to ** HC ** MMBtu of natural gas into storage in the month of November.

Q. Do you agree with Mr. Langston's assertion (Langston direct, p. 48, ll. 13-16) that the Company planning documents consider the minimum level of daily demand that is projected to occur on each and every day of the month?

A. No. A review of past heating degree days would reveal that November can be very warm. In fact, a review of November 1999 Company temperature data shows that twelve of the first fifteen days of November 1999 had average daily temperatures equal to or greater than 65 degrees Fahrenheit. Thus, the heating degree days experienced for days in the month of November can be as low as zero. For days with zero HDD, the Company would expect no heat load that day. Mr. Langston's assertion that only the minimum level of daily demand would be nominated would suggest that base load volumes are all that would be nominated for each day in November. (In general, base load includes natural gas for water heating and cooking, but not for space heating. It would also include natural gas used for processing that is used throughout the year.) According to the July 1, 2000 MGE Reliability Report for the period of July 1, 2000 through June 30, 2001, the base load is ** HC ** Dth/day. However, the Company Supply/ Demand Summary lists the "assigned Term Supplies" for November 2000 as ** HC ** Dth/day, which is over twice what would be needed on the warmest days that could be encountered in November. Thus, the Company plans to have more than the minimum level of daily demand that is projected to occur on each and every day of the month.

Additionally, the Company has previously noted in its response to DR No.78 that it does not plan to completely fill storage at the end of October so that it can inject up

to ** HC ** MMBtu into storage "for the very purpose of dealing with warm early November weather." If the Company only planned on flowing supplies in November to cover the minimum level of daily demand that is projected to occur on each and every day of the month, then the Company would not ever plan on injections in November, and this is contrary to the Company's statement in its DR No. 78 response.

Q. Do you agree with Mr. Langston's statements (Langston direct, p. 49. ll. 11-20) that Staff's storage withdrawal amount is simply the forecasted monthly demand less the Staff calculated level of first-of-month flowing supplies?

A. No. Staff's calculations of the planned natural gas storage withdrawals are shown in Table 3-1 of Schedule 13-2 of my direct testimony. An explanation of Staff's calculation is included in that table. A general explanation of Staff's calculation is that planned storage withdrawals follow the same distribution as the distribution of normal heating degree days. Thus, greater withdrawal of natural gas from storage is planned for the coldest heating season months. The Company and the Staff planned storage withdrawals are shown below. The detail is shown in Schedule 1, attached.

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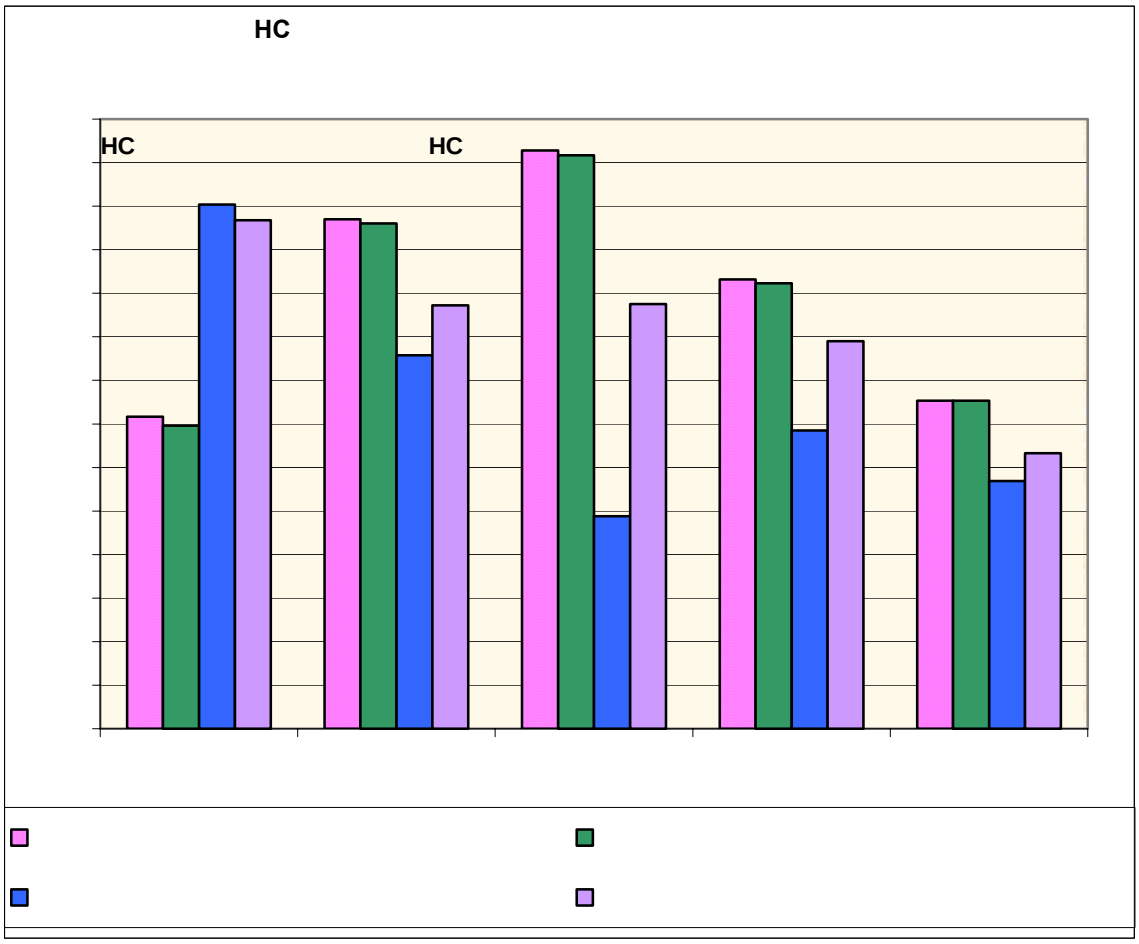

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Q. If the weather in each month were cold, would this show a similar distribution of heating degree days?

A. Yes. Staff reviewed the heating degree days over the past forty years to determine the coldest month and warmest month. This data was shown in Schedule 7 of my direct testimony. If the coldest months are examined – the coldest November, the coldest December, the coldest January, the coldest February and the coldest March, then the distribution is similar to that for normal heating degree days. This is shown in Schedule 2, attached.

Q. If the weather each month were warm, would this show a similar distribution of heating degree days?

A. Yes. This distribution is also shown in Schedule 2, attached.

Q. Do you agree with Mr. Langston's statements that the month of November represents the most volatile month in terms of heating degree days and thus weather-sensitive demand? (Langston direct, p. 51, ll. 18-23 and p. 52, ll. 1-6 and p. 54, ll. 17-19)

A. No. The data examined by Mr. Langston in Schedule MGL-14 of his direct testimony is monthly data, not daily data, and it only covers the time period of November 1997 through March 2002. Staff provides a more thorough review of heating degree data in Schedule 3 attached. A review of 30 years of heating degree data reveals that the month of January has both the highest average heating degree days of 1,184.5 and the greatest variability, with a standard deviation of 193.4 compared to the month of November with average heating degree days of 677.2 and a standard deviation of 123.1. A review of the past 40 years also shows that the month of January has the greatest variability with a standard deviation of 183.3 compared to 113 for the month of November.

Staff also examined Company usage estimates to determine which month had the greatest variability. This review reveals that the greatest variability in usage is for the month of December, followed by the month of January. The standard deviation for December and January is 3,808,178 Dth and 3,083,997 Dth, respectively. The standard deviation for the month of November is 1,776,548 Dth. (The usage information and standard deviation calculation are included in Schedule 4 attached.) Staff previously noted concerns with these usage estimates, as documented in the Staff recommendation and in my direct testimony in

Case Nos. GR-2000-382 and GR-2000-425. However, this is information that was known to the Company since the Company prepared it.

In summary, Staff cannot support Mr. Langston's assertion that November is the most volatile month.

Q. Do you agree with Mr. Langston's comments regarding excess flowing supplies in the month of November? (Langston direct, p. 52, ll. 12-23 and p. 53, ll. 1-23 and p. 54, ll. 1-10)

A. No. Staff's usage estimate for warmest November is based on information provided by the Company for November 2000. The estimates would be different for both November 1999 and November 2001. For example, the Company's estimate of usage includes an escalation factor for growth. Thus the estimate for November 1999 would not be at this same level. Additionally, the Company made the comment in the response to DR No. 68, included as Schedule 6 of my direct testimony, that February and March 2001 demand was less than expected. This observation should have caused the Company to reevaluate its usage estimates for the upcoming winter, and thus the estimate for November 2001 would not be the same as for November 2000. Thus, a comparison of November 1999 and November 2001 usage to that in November 2000 is not reasonable.

Q. Do you agree with the Company's claim that it has used the same storage withdrawal plan as used since the winter of 1998/1999? (Langston direct, p. 55, ll. 15-18 and p. 56, ll. 1-2) (Reed direct, p. 16, ll. 1-8 and p. 17, ll. 4-5 and p. 29, ll. 2-3)

A. No. As noted in my direct testimony, a review of recent Reliability Reports, shown in the attached Schedule 5 and in the following chart, illustrates that the planned withdrawal for November 2000 was higher than that shown for November in the previous

three Reliability Reports. For the immediately preceding Reliability Report (1998/1999), MGE planned to withdraw 15.9% of the storage, which is 7.5 percentage points less than the 23.4% planned by MGE for November 2000. It does not make sense to Staff to have the largest planned withdrawal in the winter of 2000/2001 for the month of November 2000, the heating season month with the fewest number of heating degree days. Nor does it make sense for MGE to have increased its planned withdrawals in November 2000 compared to the planned withdrawals for the month of November in the previous years.

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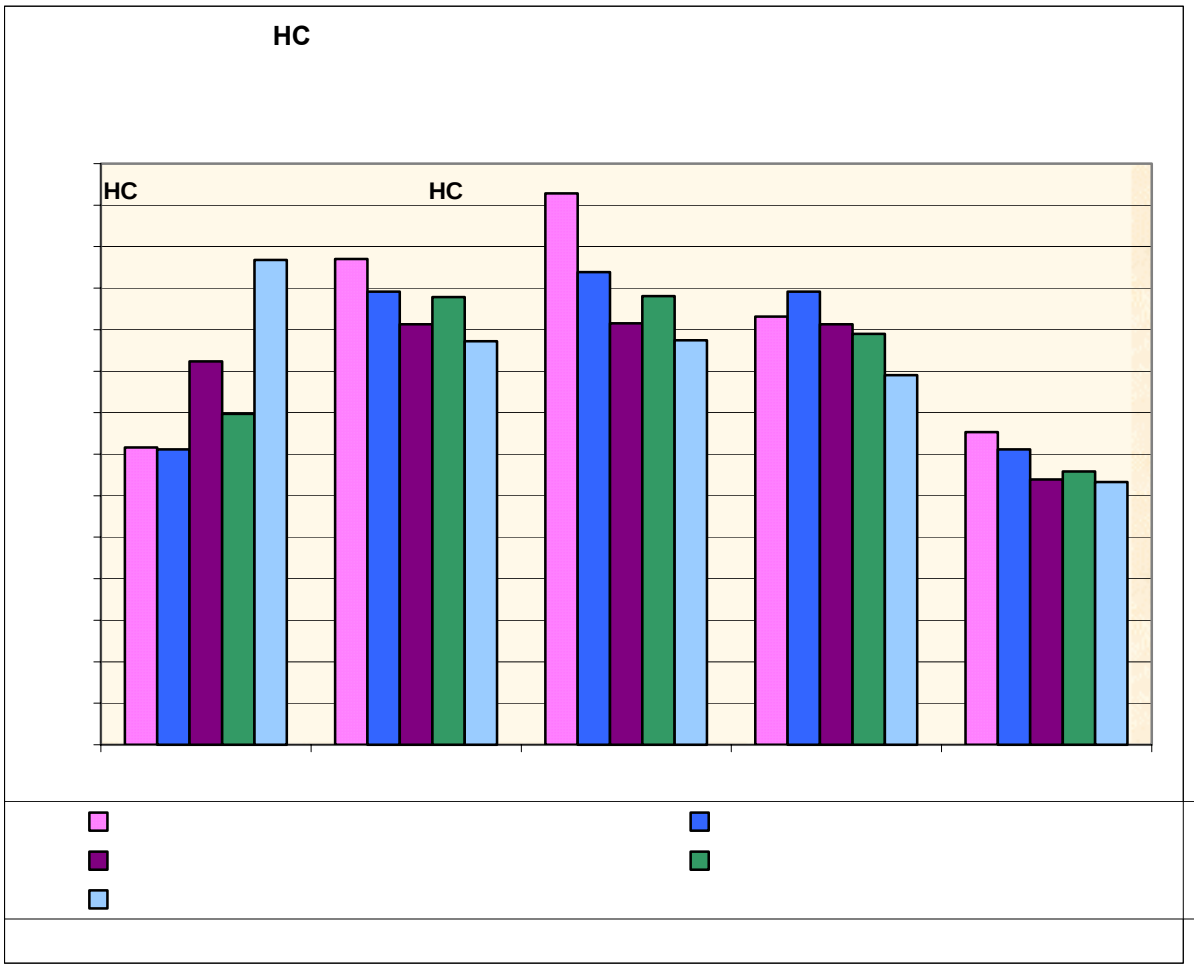

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Q. Mr. Langston makes comments about the date that decisions are made in November for December first-of-month supplies. Based on a review of contracts, Staff expected first-of-month decisions to be made on November 22, 2000. However, Mr. Langston comments that decisions were actually made on November 27, 2000. (Langston direct, p. 58, ll. 3-9) Do these comments change Staff's proposed adjustment?

A. No. If Staff had been made aware of this change in date, it would have been considered in Staff's review. To get a general idea of how this change would have affected Staff's purchasing practices storage adjustment, Staff reviewed the expected differences in storage balances for these dates – November 22, 2000 and November 27, 2000. In Staff's recommendation, the date of November 22, 2000 was considered. At this date the Company should have known that the storage inventory at the end of November 2000 was expected to be ** HC ** MMBtu and this is 75.1% of the maximum storage quantity, as noted in Table 1, of Schedule 13-1 of my direct testimony. A review of information known as of November 27, 2000 indicates that storage inventory at the end of November 2000 was expected to be **HC ** MMBtu and this is 71.6% of the maximum storage quantity. The additional information known about storage on November 27, 2000 would have revealed that the Company had used even more storage than planned and thus, the Company should have further increased flowing supplies in December 2000. This change would have resulted in a larger credit in November 2000, but it would have also resulted in a larger charge in December 2000. The overall change in the purchasing practices storage adjustment would not be to the Company's advantage. However, Staff is not proposing an increase to the proposed purchasing practices adjustment at this time.

Q. Do you agree with Mr. Langston's reasons for nominating less first-of-month flowing supplies for December 2000? (Langston direct, p. 59, ll. 11-18)

A. No. As noted above, the Company had information revealing that the expected natural gas storage inventory resources at the end of November 2000 were expected to be at 71.6% of the maximum storage quantity. Thus approximately 28% of the storage inventory had been used even though four heating season months remained and all four of these months are normally colder than the month of November. As noted in my direct testimony, the Company has constraints on its **HC HC ** and thus storage inventory levels must be of concern to the Company. Specifically, the Company's ** HC HC HC HC HC ** Thus, the Company must manage its storage inventory so that adequate volumes of storage are available for each of the heating season months.

Mr. Langston's reasons also included consideration for moderating prices. Staff witness John H. Herbert provides comments about the direction of price levels in pages 10 –14 of his rebuttal testimony. Mr. Herbert's specific comment about the direction of the price level is on page 13, lines 2-5 of his rebuttal testimony.

Q. Does Staff agree with Mr. Reed's statements that MGE's use of storage in November and December 2000 was consistent with that of other Local Distribution Companies' (LDC) across the United States? (Reed direct, p. 19, ll. 21-23 and p. 20, ll. 1-16, and p. 21, ll. 1-17)

A. No. The various LDCs utilize storage differently.

For example, storage contracts can have monthly minimum and maximum withdrawal volumes. Storage service can have a no-notice feature that provides a balancing service that may only have limitations on the maximum daily withdrawal and injection volumes. Storage service can be set up to provide only peaking service, or can be set up to meet a portion of base load requirements.

The Company's response to DR No. 103, attached as Schedule 6, indicates that Mr. Reed did not consider contract flexibility or storage constraints in his comparison of MGE to national storage trends. Mr. Reed reviewed storage inventory numbers from the American Gas Association. The data provided by Mr. Reed in response to DR No. 103 does not include information about how these other LDCs planned to utilize their storage resources.

In conclusion, each LDC's use of storage must consider the needs of its service area and must consider the constraints and flexibility of its storage resources and other supply resources. Staff does not believe that it is appropriate to simply state that because one LDC made certain decisions, it was prudent for another LDC to make the same or a similar decision. How an LDC uses its storage contracts is a complex issue.

Q. Do you agree with the Company's comments that Staff's proposal is based on hindsight review? (Langston direct, p. 60, ll. 5) (Reed direct, p. 17, ll. 9-30 and p. 18, ll. 1-4)

A. No. The Staff adjustment reflects its analysis of decisions made by the Company for planned and actual utilization of first-of-month flowing supplies and storage based on information that was known or should have been known at the time the Company made the nomination decisions. Information known or available to the Company is presented

in Table 1 of Schedule 13 of my direct testimony. Staff considered this information in evaluating the Company's purchasing practices for this ACA period. Thus, information available to the Company in 2000/2001 indicates that storage was over-utilized early in the heating season and under-utilized in January, February and March 2001 and as a consequence the cost burden on regulated customers was larger than it would have been.

Q. Does this conclude your rebuttal testimony for the MGE Purchasing Practices – Storage adjustment?

A. Yes, it does.

RELIABILITY ANALYSIS

Q. Do you agree with Mr. Langston's comments that all issues related to Staff's concerns with the MGE reliability information should have been adequately dealt with by MGE's July 1, 2002 Reliability Report? (Langston direct, p. 60, ll. 18-19)

A. No. As explained in my direct testimony, the Company's July 1, 2002 Reliability Report addressed some, but not all of the Staff concerns. Concerns not properly addressed are included in my direct testimony, page 27-28.

Q. Does this conclude your rebuttal testimony for the MGE Reliability Analysis?

A. Yes, it does.