Exhibit No.:
Issues: MKP/RPC Pipeline Adjustment
Witness: Michael J. Wallis
Sponsoring Party: MO PSC Staff
Case No.: GR-96-450

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

Michael J. Wallis

MISSOURI GAS ENERGY

a division of

Southern Union Company

CASE NO. GR-96-450

Jefferson City, Missouri
December 1998

REBUTTAL TESTIMONY

OF

MICHAEL J. WALLIS

MISSOURI GAS ENERGY,

a division of

SOUTHERN UNION COMPANY

CASE NO. GR-96-450

Q. Are you the same Michael J. Wallis who filed direct testimony in this case?

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 (MGE or Company) witness Michael T. Langston.

Q. Have you indicated, in your direct testimony, the dollar amount of Staff's adjustment and how it was calculated?

A. Yes, I have and it is incorporated by reference herein.

Q. Do you agree with Mr. Langston where on Page 11, Lines 6 to 17 of his direct testimony, he indicates that the Stipulation and Agreement in Case Nos. GR-94-101 and GR-94-228 prohibits the Staff from proposing a prudence disallowance [with regard to the Mid-Kansas II (Interim) Firm Gas Purchase Contract] in this ACA case, Case No. GR-96-450?

A. No. The Staff believes that the sentence on Page 4, Paragraph 5 of the Stipulation and Agreement (immediately following the language quoted by Mr. Langston on Page 11, Lines 7 to 13 of his direct testimony) allows the Staff to propose prudence disallowances for excessive transportation rates and gas costs for any MGE ACA period which begins after July 1, 1996. The sentence (on Page 4, Paragraph 5 of the Stipulation and Agreement) immediately following the language quoted by Mr. Langston reads "In addition, the Signatories agree that the transportation rates and gas costs charged pursuant to the Missouri Agreements shall not be the subject of any further ACA prudence review until the case associated with the audit period commencing July 1, 1996, and ending June 30, 1997." The "audit period" of July 1, 1996 to June 30, 1997 is the exact period of time covered by MGE's 1996/1997 ACA filing, Case No. GR-96-450. Thus, Staff believes it has the right to propose the $4,532,450 Mid-Kansas Partnership/Riverside Pipeline Company (MKP/RPC) adjustment which is discussed in my direct testimony.

Q. Do you agree with Mr. Langston where on Page 13, Lines 8 to 19 of his direct testimony, he indicates that Staff's position is that MGE should have purchased the gas supply from MKP/RPC but should have used WNG to transport the gas supply to the city gate?

A. No. The Staff's adjustment calculation, for this 1996/1997 ACA period, is designed to determine the total amount of excess costs which were incurred by MGE as a result of the MKP/RPC contracts. Staff's approach is designed to recognize the benefit of the MKP/RPC contracts (lower gas supply index prices) and to offset that benefit against

the detriment of the MKP/RPC contracts (transportation reservation rates which are twice as high as the reservation rates on WNG).

Q. Do you have any comments with regard to Page 15, Lines 10 to 18 and Page 16, Lines 1 to 8 of Mr. Langston's direct testimony wherein he discusses MGE's proposed customer under-billing adjustment of $411,303?

A. Yes. On Page 16, Lines 7 and 8 of his direct testimony, Mr. Langston seems to indicate that MGE's proposed customer under-billing adjustment of $411,303 will have the effect of reducing (from an under-recovery of $12,039,659 to an under-recovery of $11,628,356) the ACA recovery balance shown in Company's 1996/1997 ACA filing. If Staff's understanding of Mr. Langston's direct testimony is correct, Staff does not object to MGE's proposed customer under-billing adjustment.

However, Staff points out that MGE made the corrections (to its booked revenues) for the customer under-billings during the 1997/1998 ACA period. The Staff has not had an opportunity to audit MGE's 1997/1998 ACA filing. As a result, Staff reserves the right to (1) review the $411,303 customer under-billing adjustment and (2) propose an adjustment to MGE's 1997/1998 ACA recovery balance if Staff disagrees with the calculation or methodology used by the Company to derive the $411,303 adjustment.

Q. Please summarize your rebuttal testimony.

A. The sentence (on Page 4, Paragraph 5 of the Stipulation and Agreement) immediately following the language quoted by Mr. Langston, in his direct testimony, reads "In addition, the Signatories agree that the transportation rates and gas costs charged pursuant to the Missouri Agreements shall not be the subject of any further ACA

prudence review until the case associated with the audit period commencing July 1, 1996, and ending June 30, 1997." The "audit period" commencing July 1, 1996 and ending June 30, 1997 is the exact period of time covered by MGE's 1996/1997 ACA filing, Case No. GR-96-450. As a result, Staff believes it has the right to propose the $4,532,450 MKP/RPC adjustment which is discussed in my direct testimony.

On Page 16, Lines 7 and 8 of his direct testimony, Mr. Langston seems to indicate that MGE's proposed customer under-billing adjustment of $411,303 will have the effect of reducing (from an under-recovery of $12,039,659 to an under-recovery of $11,628,356) the ACA recovery balance shown in Company's 1996/1997 ACA filing. If Staff's understanding of Mr. Langston's direct testimony is correct, Staff does not object to MGE's proposed customer under-billing adjustment.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of the Missouri Gas Energy's Gas Cost Adjustment Tariff Revisions to be Reviewed in its 1996-1997 Annual Reconciliation Adjustment Account	))))	Case No. GR-96-450

AFFIDAVIT OF MICHAEL J. WALLIS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Michael J. Wallis, is, 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 4 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.

RANDALL Z. WRIGHT NOTARY SEAL NOTARY PUBLIC STATE OF MISSOURI

michael j. wallis
Michael J. Wallis

Subscribed and sworn to before me this 15th day of December, 1998.

Randall Z. Wright
Notary Public

Randall Z. Wright
Notary Public, State of Missouri
County of Cole
My Commission Exp. 01/02/2001

My Commission Expires: _____