DIRECT TESTIMONY

OF

CRAIG A. JONES

MISSOURI PIPELINE COMPANY

CASE NO. GR-92-314

Q. Please state your name and business address.

A. My name is Craig A. Jones and my business address is 301 W. High, 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 a Staff Engineer in the Energy Department's Rates Section.

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

A. Since February of 1983.

Q. Have you previously testified before this Commission?

A. Yes, I have.

Q. Please describe your educational and related work experience background.

A. I am an Engineer-in-Training under the laws of the State of Missouri. In December of 1980, I received a Bachelor of Science degree in Agricultural Engineering from the University of Missouri - Columbia. I have completed much of the course work required for a Master's degree in Agricultural Engineering at the University of Missouri - Columbia. On February 14, 1983, I began my employment with the Commission. I have been a member of the Missouri Society of Professional Engineers and the National Society of Professional Engineers since 1984.

Q. What has been the nature of your work while at the Commission?

A. During my employment at the Commission, my duties have consisted primarily of preparing studies, exhibits and testimony relating to rate design, Purchased Gas Adjustment (PGA) Clauses, various utility related service charges, rules and regulations changes, Take-or-Pay provisions, applications and transportation tariffs.

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

A. The purpose of my testimony is to address the level of interruptible transport volumes utilized by the Missouri Public Service Commission Staff (Staff) in this Missouri Pipeline Company (MPC) rate case and to address a few miscellaneous tariff issues.

Q. Will you address the firm transport volumes used in this case?

A. MPC has proposed using 21,900,000 MMBtu of firm transport volumes. This equates to the system's daily capacity of approximately 80,000 MMBtu being utilized at a 75% load factor. As discussed in the direct testimony of Staff witness Arlene Pfleeger, Staff is using the same firm transport volume and load factor as that proposed by MPC, therefore I will address only the level of interruptible transport volumes.

Q. Is special consideration being given to the determination of the level of interruptible transport volumes in this case?

A. Yes, MPC is different from local distribution companies (LDC) usually regulated by this Commission. In a rate case for a typical LDC, Staff would develop sales volumes based on historical data. However, since MPC was Missouri's first intrastate pipeline and is only certificated to transport natural gas, different criteria were used to establish the level of interruptible transport volumes in Case No. GA-89-126 (MPC's original application case). In order to address one of Staff's concerns mentioned in Case No. GA-89-126, special consideration was given to the determination of an appropriate level of interruptible transport volumes in this case.

In testimony presented in Case No. GA-89-126, MPC emphasized the fact that it would accept all financial risk associated with the pipeline. In Case No. GA-89-126 interruptible transport volumes were established at 4,197,000 MMBtu.

In order to maintain at least the same level of financial risk with MPC, it is my opinion that interruptible transport volumes levels used to develop rates in this case should be no less than the levels used to design rates in MPC's original application case. The already stated interruptible transport volume level of 4,197,000 MMBtu is greater than the actual transport volumes experienced in the test year of this case. The actual interruptible volumes for the test year were 766,650 MMBtu (refer to direct testimony of Arlene Pfleeger).

Maintaining the interruptible volume at 4,197,000 MMBtu at the minimum, causes the financial risk to remain with MPC as originally proposed by MPC and other parties and acknowledged by the Commission in the original application case. In other words, to transport less volumes will mean less revenue and MPC will be at risk for these revenue shortfalls. Assuming the same allocation of costs to the interruptible class, building a lower level of volumes into rates reduces the financial risk to MPC. As stated before, since MPC indicated it would accept the financial risk associated with operating the pipeline, it is my opinion that the level of interruptible thoughput should be maintained at 4,197,000 MMBtu.

Q. Did Staff address the issue of risk in MPC's original application case?

A. Yes. Staff witness Wendell R. Hubbs recommended the application be conditionally approved. One of the conditions was that the "risk of the venture is to be borne by the applicants and not their customers;".

Q. Did the Commission order that this condition be met?

A. No. In its REPORT AND ORDER in Case No. GA-89-126, the Commission stated that "Applicant has based its application on the assumption of this risk. Moreover, the Commission can address any attempts by Applicant to shift the risk in the ratemaking process." In my opinion, the Commission's statement indicates this issue should be addressed in this case and future cases.

Q. What are the tariff issues you wish to address?

A. There are a number of items I wish to address. The first item relates to a Commission Energy Department effort to eventually have a metes and bounds description and service area map on file for all regulated natural gas companies. I am proposing that MPC file tariff sheets depicting the route of its current pipeline. I am also recommending that the metes and bounds description which MPC was ordered to file (according to REPORT AND ORDER in Case No. GA-89-126), be filed on tariff sheets. At the time when the Commission's REPORT AND ORDER was issued, MPC had not determined the exact route of the pipeline. The pipeline is now in the ground and the exact route is known. To file the metes and bounds description on tariff sheets will address the Energy Department's goal while complying with the Commission's order.

Q. Have any potential or current customers of MPC brought items to your attention that you wish to address at this time?

A. Yes. One item that has been brought to Staff's attention is a desire by MPC to require customers to enter into long term contracts and to require the potential customer to immediately commit to a contract demand (CD) level the customer might not expect to reach for a few years. This requirement prevents a new company from contracting for a low level of CD initially and increasing its CD level each year as the anticipated load increases.

Q. Do you object to these requirements?

A. Generally, I have no objections to reasonably drafted contracts containing longer terms, if both parties agree to the terms set forth in the contract.

I am concerned with MPC requiring that a customer agree up front to a CD level which the customer may not achieve for a number of years, especially when MPC's system is not being fully utilized. If MPC's total reserved CD level was at, or near, capacity, then I could understand MPC wanting a commitment up front. In my opinion to require a customer to commit to greater demand level than is needed for an extended period of time is a questionable use of monopoly power.

More flexibility in the length and terms of contracts being entered into between MPC and potential LDC's (on MPC or Missouri Gas Company's systems) will aid the new LDC's in establishing a customer base and becoming accustomed to contracting for demand levels.

MPC is not at full capacity at this time. Additionally, there are some communities where potential start-up companies may be requesting capacity on MPC's system (through its interconnect with Missouri Gas Company). Therefore, I propose that the tariff language be modified to state that contract terms shall be for a period of no more than one year unless otherwise agreed to by both parties. The renegotiated contract shall contemplate the renomination of maximum daily quantities. Giving customers the opportunity to modify their contract on annual basis will allow the CD level to be adjusted as actual demand changes through changes in load.

Q. Are there any necessary changes in tariff language that you recommend to address this topic?

A. To address my concerns on this topic, I recommend that paragraph 2. on current tariff sheet No. 5 be modified to read as follows:

> 2. Term. (a) This Agreement shall be effective from the date first stated above. This Agreement shall remain effective for a term of **no more than one year, unless otherwise agreed to by both parties,** [years] from the initial date for service and thereafter shall continue in effect until terminated by Transporter or Shipper upon at least six (6) months

> prior written notice to the other, as of any date not earlier than the date of expiration of the primary term. **Upon renewal of this contract the Shipper shall be given the opportunity to renominate the level of Firm Transportation Quantity (as defined in Paragraph 1. above).** (**underline bold**;added, [];deleted)

Even though the length of contracts for interruptible service are generally shorter and given more flexibility, in order to maintain consistent wording I recommend Paragraph 2. on current tariff sheet No. 17 also be modified to read as follows:

> 2. Term. (a) This Agreement shall be effective from the date first stated above. This Agreement shall remain effective for a primary term of **no more than one year, unless otherwise agreed to by both parties,** from the initial date for service, and shall continue in effect month-to-month thereafter until terminated by Transporter or Shipper upon at least thirty (30) days prior written notice to the other. However, Shipper may also terminate this Agreement at any time during the primary term upon thirty (30) days prior written notice to Transporter. **Upon renewal of this contract the Shipper shall be given the opportunity to renominate the level of Interruptible Transportation Quantity (as defined in Paragraph 1. above).** (**underline bold**;added)

Q. Are there any other tariff related issues you wish to address?

A. Yes, there is one tariff item I wish to modify in order to clarify MPC's intent as it relates to costs associated with establishing service. The current tariff language in Paragraph (e) on tariff sheet No. 35 states:

> Shipper will reimburse Transporter or cause Transporter to be reimbursed for any and all costs and expenses incurred in constructing, establishing or modifying the facilities required for receipt and\or redelivery of gas hereunder.

In my opinion the Shipper should have to pay no more than the actual cost of the necessary changes to MPC's facilities required to provide the requested service. I also believe a reasonable estimate should be provided to the Shipper prior to commencing any construction or modifications to MPC's system.

Q. What changes to the current tariff language do you recommend?

A. To clarify what is expected of both parties and to address my concerns, I recommend the following provision be added to Paragraph (e) on current Tariff Sheet No. 35:

> Upon request, an estimate shall be provided in writing to the Shipper with a breakdown showing at least the major cost components. Shipper shall be responsible for reimbursing Transporter for only the actual costs incurred by Transporter in constructing, establishing or modifying the facilities required for receipt and\or redelivery of gas hereunder.

Q. Will you please summarize your direct testimony?

A. Yes. I recommend that the level of interruptible transport volumes used in this case be no less than the level established in Case No. GA-89-126. That level was 4,197,000 MMBtu. I recommend MPC file tariff sheets depicting a map of its service area and the related metes and bounds description. I also believe a customer should be able to adjust their CD level as annual load conditions change. I have recommended language to accomplish this. Additionally, I have proposed language which will allow contracts entered into between MPC and its customers to be effective for a term not to exceed one year, unless otherwise agreed to by both parties. I have also recommended modified tariff language which states a customer will pay only the actual costs of any MPC system change required to serve the customer.

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri Pipeline Company for authority to file tariffs increasing rates for gas transportation services to customers within its service area.	))))	CASE NO. GR-92-314

AFFIDAVIT OF CRAIG A. JONES

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Craig A. Jones, of lawful age, on his oath states: that he has participated in the preparation of the foregoing written testimony in question and answer form; consisting of 7 pages to be presented in this case; that the answers in the foregoing 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.

Craig A Jones
Craig A. Jones

Subscribed and sworn to before me this 10 th day of December, 1992.

Judy Fritsch
Notary Public

JUDY FRITSCH
NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXP AUG. 15,1993

My commission expires ______