

1 BEFORE THE PUBLIC SERVICE COMMISSION

2 STATE OF MISSOURI

3 _____

4 TRANSCRIPT OF PROCEEDINGS

5 HEARING

6 May 14, 2003

7 Jefferson City, Missouri

8 Volume 6

9 _____

10 In the Matter of Missouri Gas Energy's)Case No.
 Purchased Gas Adjustment Tariff Revisions)GR-2001-382
11 to be Reviewed in its 2000-2001 Actual)
 Cost Adjustment)

12 In the Matter of Missouri Gas Energy's)Case No.
 Purchased Gas Cost Adjustment Factors to)GR-2000-425
13 be Reviewed in its 1999-2000 Actual Cost)
 Adjustment)

14 In the Matter of Missouri Gas Energy's)Case No.
15 Purchased Gas Cost Adjustment Factors to)GR-99-304
16 be Reviewed in its 1998-1999 Actual Cost)
 Adjustment)

17 In the Matter of Missouri Gas Energy's)Case No.
 Purchased Gas Cost Adjustment Tariff)GR-98-167
18 Revisions to be Reviewed in its)
19 1997-1998 Actual Cost Adjustment)

20 BEFORE: _____

21 MORRIS L. WOODRUFF, Presiding
 SENIOR REGULATORY LAW JUDGE.
22 CONNIE MURRAY,
 SHEILA LUMPE,
23 STEVE GAW,
 BRYAN FORBIS,
 COMMISSIONERS.

24 _____

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1 JUDGE WOODRUFF: Welcome back this morning.
2 And we're ready to resume. And I believe Staff's next
3 witness will be Lesa Jenkins; is that correct?
4 MR. SCHWARZ: That is correct.
5 JUDGE WOODRUFF: You can call her to the
6 stand.
7 (Witness sworn.)
8 JUDGE WOODRUFF: You may be seated.
9 And you may inquire.
10 LESA JENKINS, having been sworn, testified as follows:
11 DIRECT EXAMINATION BY MR. SCHWARZ:
12 Q. Good morning. Would you state your name for
13 the record, please?
14 A. Hi. Lesa A. Jenkins.
15 Q. And by whom are you employed and in what
16 capacity?
17 A. Missouri Public Service Commission procurement
18 analysis department. I'm a regulatory engineer.
19 Q. And are you the same Lesa Jenkins who has
20 caused to be filed Direct, Rebuttal and Surrebuttal in this
21 case which has been marked Exhibits 12-NP and HC, 13-NP and
22 HC, and 14-NP and HC?
23 A. Yes.
24 Q. Do you have any corrections to that testimony?
25 A. No.

1 Q. If I ask you the same questions today as were
2 propounded in your pre-filed testimony, would your answers
3 be the same?

4 A. Yes.

5 Q. Are those answers true and correct to the best
6 of your information, knowledge and belief?

7 A. Yes.

8 MR. SCHWARZ: I would move Exhibits 12-NP and
9 HC, 13-NP and HC and 14-NP and HC into the record.

10 JUDGE WOODRUFF: Exhibits 12, 13, 14 NP and HC
11 versions on each have been offered into evidence. Are there
12 any objections to their receipt?

13 Hearing none, they will be received into
14 evidence.

15 (EXHIBIT NOS. 12-NP, 12-HC, 13-NP, 13-HC AND
16 14-NP, 14-HC WERE RECEIVED INTO EVIDENCE.)

17 MR. SCHWARZ: I tender the witness for
18 cross-examination.

19 JUDGE WOODRUFF: Thank you. And for
20 cross-examination we begin with City of Joplin, who's not
21 here.

22 Public Counsel?

23 MR. MICHEEL: No questions, your Honor.

24 JUDGE WOODRUFF: KPC?

25 MR. KEEVIL: No questions at this time, Judge.

1 JUDGE WOODRUFF: MGE?
2 MR. DUFFY: Yes.
3 CROSS-EXAMINATION BY MR. DUFFY:
4 Q. Okay. Morning, Ms. Jenkins.
5 A. Good morning.
6 Q. To your knowledge, is the 2000/2001 ACA period
7 the first time that the Staff has ever proposed any
8 adjustments based on the prudence of a gas company's storage
9 utilization for the winter?
10 A. To my knowledge, yes.
11 Q. Your education is that of an industrial
12 engineer?
13 A. Correct. I also have an MBA -- master's in
14 business administration.
15 Q. Did you take any college courses that taught
16 you how to manage the gas supply of a local distribution
17 company?
18 A. No.
19 Q. Do colleges offer classes in that?
20 A. I'm not aware if they do. It's more the skill
21 sets that they offer.
22 Q. Have you ever worked in a gas supply
23 department for a pipeline or a local gas distribution
24 company?
25 A. No.

1 Q. Have you ever been responsible for scheduling,
2 nominating or planning the daily, monthly or annual send-out
3 requirements for a company using natural gas in its
4 operations?
5 A. No.
6 Q. Have you ever had to make judgments in advance
7 about how much natural gas to buy to supply the needs of
8 numerous customers of a gas company?
9 A. No.
10 Q. So would it be fair to say you've never been
11 directly involved in making gas supply planning or gas
12 supply implementation decisions for a company?
13 A. Yes.
14 Q. Is your experience in regard to gas supply
15 planning and gas supply utilization limited to your
16 experience in reviewing various filings made by companies in
17 your job with the Commission?
18 A. I also worked with natural gas and electric
19 issues when I worked for Department of Natural Resources
20 Division of Energy.
21 Q. You began your employment at the Commission in
22 November 1999?
23 A. Yes.
24 Q. Therefore, you'd been employed at the
25 Commission approximately two and a half years when the Staff

1 filed its recommendation in this case of May 2002?

2 A. Yes.

3 Q. Did the Staff propose any disallowances

4 related to storage utilization in the winter of 2000/2001

5 for LDCs in Missouri other than MGE?

6 A. Yes.

7 Q. Has the Staff agreed to settle any of those

8 cases?

9 A. Yes.

10 Q. Would that be Atmos Energy and Aquila?

11 A. Yes. And United Cities. I believe that's it.

12 Q. United Cities is a division of Atmos?

13 A. Yes.

14 Q. So it would be fair to say that Atmos and

15 Aquila encompass the companies involved in those

16 settlements?

17 A. Yes.

18 Q. Has the Commission approved any of those

19 settlements?

20 A. I'm not aware.

21 Q. Did the Staff file suggestions in support of

22 the approval of the stipulation in those settlements?

23 A. Yes.

24 Q. Was the dollar amount of the settlement in

25 Aquila on the storage utilization issue and the dollar

1 amount of the settlement in the Atmos and United Cities
2 issues on storage utilization less than half of the proposed
3 original proposed disallowance?

4 A. Yes.

5 MR. SCHWARZ: I'm going to object. I don't
6 know what the relevance of the settlements of other cases is
7 to any of the issues in this case.

8 MR. DUFFY: The relevance, your Honor, is that
9 this is the same issue that we're talking about in this
10 case. And it goes to show that if the Staff has filed
11 public documents indicating that they're settling their
12 issues for substantially less than what they originally
13 proposed them, that they do not have that much faith in the
14 importance of their issue. And what we're going to be
15 referring to are public documents that have been filed at
16 the Commission.

17 MR. SCHWARZ: There is absolutely no
18 indication in this record and at this stage there cannot be,
19 to my knowledge, any indication of the facts and
20 circumstances in the other settled cases.

21 Further, it's clear from all settlements that
22 are done by the Staff at this Commission that none of them
23 are considered to have any precedential value. And there
24 are certainly many considerations that go into a settlement,
25 none of which are appropriate for discussion in this forum

1 that can be put on the record.

2 MR. DUFFY: If -- I'm sorry. Were you
3 finished?

4 MR. SCHWARZ: I don't think it's fair to draw
5 any inference from the settlement of other cases to Staff's
6 position in this case.

7 JUDGE WOODRUFF: Mr. Duffy?

8 MR. DUFFY: If the Staff will stipulate that
9 they filed suggestions in support of the recommended
10 approval of the stipulations in the Atmos, United Cities and
11 Aquila cases and that those documents themselves reflect on
12 their face that this issue was settled for approximately 17
13 percent of the original proposed value of both of those
14 things, I'm glad to move on to another line of
15 cross-examination.

16 MR. SCHWARZ: Staff will make no --

17 MR. DUFFY: That's all I'm trying to show, is
18 that they filed documents to the Commission saying they
19 settled for 17 cents on the dollar.

20 JUDGE WOODRUFF: Go ahead, Tim.

21 MR. SCHWARZ: Staff will make no such
22 stipulation. I think if MGE wishes to call the Commission's
23 attention to publicly filed documents in its brief to
24 Commission records, it's -- well, you still run into the
25 relevance problem and I don't think you can overcome that.

1 JUDGE WOODRUFF: I agree that the Stipulation
2 and Agreements that may have been entered in other cases are
3 not relevant in this case; therefore, I'm going to sustain
4 the objection.

5 MR. DUFFY: I would like the Commission to
6 take official notice of those two other cases, because I
7 would like to at least refer to those things in my brief.

8 JUDGE WOODRUFF: Make that as an offer of
9 proof or --

10 MR. DUFFY: Yeah. I think so.

11 JUDGE WOODRUFF: Okay. I'll accept it as an
12 offer of proof.

13 MR. DUFFY: Okay.

14 BY MR. DUFFY:

15 Q. Would you turn to your Direct Testimony,
16 Schedule 8-1?

17 A. Okay.

18 Q. Ready?

19 A. Uh-huh.

20 Q. And we're treating this document as highly
21 confidential; is that correct?

22 A. That's my understanding, yes.

23 Q. Although some of the numbers on it probably
24 are not highly confidential since we've referred to them.

25 A. Since the -- yes.

1 Q. Okay. I will attempt, at least in this part
2 of the record, to stay public, but if you think that I'm
3 getting into something that is highly confidential, please
4 let me know.

5 MR. MICHEEL: Can I just get a clarification?
6 I've got the NP testimony and Schedule 8-1 appears in the NP
7 testimony as completely public.

8 MR. KEEVIL: I think we treated it public on
9 one of the previous witnesses.

10 MR. MICHEEL: And I would prefer to do the
11 public's business in the public, if possible.

12 MR. DUFFY: That's fine.

13 MR. MICHEEL: And I think it's already --

14 MR. DUFFY: My mistake.

15 MR. MICHEEL: -- out there.

16 MR. DUFFY: My mistake.

17 MR. KEEVIL: Mr. Duffy, before you get into
18 this, I have a question I guess of the Judge. Of what
19 documents or whatever did you take official notice in those
20 other cases?

21 JUDGE WOODRUFF: He made an offer of proof
22 that the Commission should take those documents into
23 consideration. I did not say that we would. I said it's an
24 offer of proof.

25 MR. KEEVIL: For the entire case files or

1 specific documents?

2 MR. DUFFY: No. All I'm interested in are the
3 Staff recommendations toward the approval of the
4 settlements. The Staff filed those.

5 MR. KEEVIL: Suggestions in support of --

6 MR. DUFFY: Yes. Suggestions in support of
7 the Stipulation and Agreement. And then I know that the
8 Commission approved the Atmos -- or excuse me. I know they
9 approved the Aquila one. The Atmos one was on the agenda
10 yesterday and I haven't seen the results, whether they
11 approved that or not.

12 MR. SCHWARZ: We have the Commission --

13 COMMISSIONER FORBIS: I believe we did.

14 MR. DUFFY: They did approve it. I want the
15 Commission to take official notice of the order they
16 approved yesterday in the Atmos cases and the order that was
17 approved previously in the Aquila cases and then the Staff's
18 suggestions in support of the Commission doing that in those
19 two cases.

20 MR. KEEVIL: Thank you.

21 MR. DUFFY: Simply so I can make an offer of
22 proof and refer to the contents of those things in a brief.

23 JUDGE WOODRUFF: Certainly.

24 BY MR. DUFFY:

25 Q. Okay. We're on Schedule 8-1 to your Direct

1 Testimony and we've decided that that's a public document
2 and we can talk about all those numbers. Right?

3 A. Yes.

4 Q. That's the same schedule that you were asked
5 some questions about when I took your deposition back in
6 December; is that right?

7 A. Yes.

8 Q. I want to direct your attention to Column C.
9 The data in that column is supposed to represent MGE's
10 normal monthly storage withdrawals for the 2000/2001 winter
11 period; is that right?

12 A. Yes.

13 Q. When you made your calculations regarding the
14 proposed hedging disallowance, you used the data that
15 appears in Column C. Correct?

16 A. Yes.

17 Q. Now, let's look at your Schedule 13-1. This
18 one on my sheet is marked HC; is that right?

19 A. Yes.

20 Q. Okay. The numbers on line 49 you labeled as
21 planned normal storage withdrawals; is that correct?

22 A. Yes.

23 Q. The numbers for the months are the same as
24 those we just looked at on Schedule 8-1. Correct?

25 A. Yes.

1 Q. What was the source document for these planned
2 normal storage withdrawal numbers? In other words, where
3 did you get them?

4 A. Both schedules indicate that the numbers are
5 from the DR 28 response.

6 Q. And you said in your Surrebuttal Testimony,
7 didn't you, that DR 28 contained the numbers for MGE's
8 planned storage withdrawals?

9 A. Yes.

10 Q. So MGE's response to DR 28 was the sole source
11 of the planned normal storage withdrawal numbers used in
12 Schedule 8-1?

13 A. They may have provided it in other DR
14 responses too. I don't know. It would have been identical,
15 so I used it.

16 Q. Therefore, the information MGE provided in the
17 responses to Data Request 21 and 68 were not used in the
18 calculation shown in Schedule 8-1; is that right?

19 A. That's correct.

20 Q. Let's look at your Schedule 10-2. Right above
21 the bottom of -- right above that bottom table there's a
22 line that says, Note, there is no 1999/2000 reliability
23 report. Do you see that?

24 A. Yes.

25 Q. Was the Staff ever provided, prior to this

1 case, with information regarding MGE's planned storage
2 withdrawals in the 1999/2000 ACA period?

3 A. In a DR response, yes.

4 Q. And is that what is shown I think attached to
5 Mr. Langston's Rebuttal Testimony as MTL-20? That being a
6 Data Request No. 27 in Case No. GR-2000-425.

7 A. Yes. I believe so.

8 Q. And that's a previous ACA case which has been
9 consolidated into this case that we're here for today?

10 A. Yes.

11 Q. And that data request response, at least on
12 the cover page, says in the last paragraph -- that says,
13 Please see the attached reports which show the planned and
14 actual utilization of storage during the 1999/2000 ACA
15 period?

16 A. Just a minute.

17 Q. I'm sorry. I got ahead. I'm looking at the
18 first page of Schedule MTL-20.

19 A. Would you say that again, please?

20 Q. I'm looking at the last paragraph in the first
21 page of the schedule. It says, For specific information,
22 please see the attached reports which show planned and
23 actual utilization of storage during the 1999/2000 ACA
24 period.

25 A. Yes.

1 Q. And as far as you know, those were attached?

2 A. Yes. Yes.

3 Q. Please correct me if I'm wrong, but the

4 numbers that Mr. Langston has talked about in his testimony

5 for MGE's 1999/2000 storage withdrawal plan do not appear

6 anywhere in your Direct, Rebuttal or Surrebuttal Testimony

7 in this case; is that right?

8 A. That's correct.

9 Q. I'm trying to find a reference here to where

10 he talked about that. Let's see. Okay. Would you look at

11 Mr. Langston's Rebuttal Testimony, page 11? And I'm going

12 to be -- are you there?

13 A. Uh-huh.

14 Q. Okay. We're going to look at the numbers in

15 Table 3 there. And then I'm going to ask you to compare

16 those numbers -- do some comparisons to those numbers to

17 your Schedule 13-1. So if you'll get that in front of you

18 also, you'll have both of the documents that I'll be

19 referring to. You ready?

20 A. Okay.

21 Q. Okay. I want to look first at the Table 3

22 numbers for November. And that shows that MGE's planned

23 withdrawal from storage for November 1999 was approximately

24 4.129 BCF. And I'm going to just use BCF instead of MMBtu,

25 if that's okay.

1 A. Okay.

2 Q. You agree that's 4.129 BCF as shown in

3 Table 3?

4 A. Yes.

5 Q. The corresponding number for November 2000

6 from your Schedule 13-1 is 4.150 BCF down in line 49; is

7 that right?

8 A. Yes.

9 Q. Would you say that 4.129 and 4.150 BCF are

10 pretty close when we're talking about billions of cubic feet

11 of gas?

12 A. Yes.

13 Q. Back to Table 3, the planned number for

14 December 1999 was 3.422 BCF; is that right?

15 A. Yes.

16 Q. And is that pretty close to the 3.454 BCF

17 planned for December 2000 as shown in 13-1?

18 A. Yes.

19 Q. The planned number for January 2000 was 3.431

20 BCF; is that right?

21 A. Yes.

22 Q. And the planned number for January 2001 was

23 3.464 BCF; is that right?

24 A. Yes.

25 Q. And 3.431 and 3.464 are pretty close. Right?

1 A. Yes.

2 Q. The February 2000 planned number was 3.178

3 BCF. Right?

4 A. Yes.

5 Q. And that's pretty close to 3.162 BCF which was

6 the number for February 2001?

7 A. Yes.

8 Q. The March 2000 planned number was 2.135 BCF;

9 is that right?

10 A. Yes.

11 Q. And that's pretty close to the March 2001

12 number of 2.247 BCF. Correct?

13 A. Yes.

14 Q. So would it be fair to say that the planned

15 storage withdrawals for MGE for those two winters were

16 within the same range?

17 A. Yes.

18 Q. Okay. Now, I'm looking at your Schedule 8-1

19 and I'm looking at the numbers in Column C. Would you tell

20 me which winter month has the highest planned storage

21 withdrawal amount?

22 MR. SCHWARZ: I'm sorry. Where are we?

23 MR. DUFFY: We're in Schedule 8-1 and we're

24 looking at the numbers in Column C.

25 BY MR. DUFFY:

1 Q. And my question was, which of those winter
2 months shown in that column has the highest planned storage
3 withdrawal amount?

4 A. The month of November.

5 Q. January has the second highest after November;
6 is that right?

7 A. Yes.

8 Q. Therefore, with the exception of November,
9 MGE's storage plan has January with the highest planned
10 storage withdrawal amount?

11 A. Yes.

12 Q. And then after January, December is the month
13 with the highest storage withdrawal amount planned?

14 A. Yes.

15 Q. And December is then followed by February and
16 March. Correct?

17 A. Yes.

18 Q. Would you turn to page 11 of your Direct
19 Testimony for a moment? And I'm looking at lines 6 through
20 9. At that point and in Schedule 7 attached to your Direct
21 Testimony, you've indicated that November 2000 was the
22 second coldest November experienced in the past 40 years; is
23 that correct?

24 A. Hold on just a minute. If you look at
25 Schedule 7-4, you'll see that November '96 had 877 heating

1 degree days, which is colder.

2 Q. So my question is right that November 2000 was
3 the second coldest November experienced in the past
4 40 years?

5 A. I'm sorry. Yes.

6 Q. You also indicated on page 11 that December
7 2000 was the second coldest December experienced in the past
8 40 years; is that right?

9 A. Yes.

10 Q. And when November and December 2000 are
11 evaluated together as a 61-day period or whatever, that was
12 the coldest consecutive November and December on record; is
13 that right?

14 A. For those 40 years, yes.

15 Q. On page 11 of your Direct Testimony at line 17
16 you say that your Schedule 7-2 shows that the coldest
17 consecutive November and December occurred in December 1983
18 with 2,229 heating degree days.

19 Would you take a look at your Schedule 7-2,
20 please? Doesn't your Schedule 7-2 show that the heating
21 degree days for November and December 2000 total 2,278? And
22 isn't 2,278 greater than 2,229?

23 A. Yes. That -- that would have been information
24 known prior to the winter.

25 Q. You want to correct your Direct Testimony now

1 to say that your Schedule 7-2 shows that the coldest
2 consecutive November and December occurred in 2000 with
3 2,278 heating degree days?

4 A. I would clarify that prior to the winter of
5 2000/2001, the coldest was November/December of '83/'84 and
6 that November/December of 2000/2001 were colder.

7 Q. Would you agree with me then that the time
8 period in November and December 2000 was extremely cold?

9 A. Yes.

10 Q. And it was unprecedented cold weather for this
11 area, wasn't it?

12 A. That needs qualifications because some people
13 look at daily, some people look at monthly. I would ask you
14 to clarify that.

15 Q. Unprecedented in my mind means it didn't
16 happen before.

17 A. For those 40 years, yes.

18 Q. At the time you filed your testimony in this
19 case, had you done any sort of statistical analysis to
20 determine what the likelihood was of the cold weather that
21 occurred in November and December 2000?

22 A. No.

23 Q. It is possible to calculate something like
24 that statistically, isn't it?

25 A. Yes.

1 Q. And you would use a standard deviation
2 technique to do that?

3 A. Yes.

4 Q. And we've agreed, based on your Schedule 7,
5 that November and December 2000 had 2,278 heating degree
6 days; is that right?

7 A. Yes.

8 MR. DUFFY: I'd like to have an exhibit
9 marked.

10 JUDGE WOODRUFF: Okay. Next number is 24.
11 (EXHIBIT NO. 24 WAS MARKED FOR
12 IDENTIFICATION.)

13 BY MR. DUFFY:

14 Q. Have you had a moment to look at what you've
15 been handed that's been marked for purposes of
16 identification as Exhibit 24?

17 A. Yes.

18 Q. We've provided this to your counsel first
19 thing Monday morning when we started the hearing to give the
20 Staff an opportunity to double check the numbers and the
21 calculations on here prior to asking you any questions about
22 that. Have you had the opportunity in the last two days to
23 determine if the numbers and calculations shown on that
24 document are correct?

25 A. I've not recalculated, but I spot checked some

1 of the numbers, yes.

2 Q. Okay. And the first page, except for the
3 calculations at the bottom, comes from your Schedule 7-5; is
4 that correct?

5 A. That's correct.

6 Q. And so what's been done here is that we've
7 taken your numbers and performed some standard deviation
8 calculations on the first page and then on the second page
9 we've plotted them on a graph; is that correct?

10 A. Yes.

11 Q. And, to the best of your understanding, the
12 numbers that we've utilized are correct?

13 A. Yes.

14 MR. DUFFY: At this point, I'd like to offer
15 into evidence Exhibit No. 24.

16 JUDGE WOODRUFF: All right. Exhibit 24 has
17 been offered into evidence. Are there any objections to its
18 receipt?

19 Hearing none, it will be received into
20 evidence.

21 (EXHIBIT NO. 24 WAS RECEIVED INTO EVIDENCE.)

22 BY MR. DUFFY:

23 Q. Would you agree that the graph on Exhibit 24
24 represents a calculation of the likelihood of the occurrence
25 of the weather that was actually experienced in November and

1 December 2000?

2 A. Yes.

3 Q. And do you agree it shows there that the
4 likelihood of the weather experienced in November and
5 December 2000 occurring was 0.0028 percent or, in other
6 words, a 1 in 355-year occurrence?

7 A. Yes.

8 Q. Would it be fair to say that a 1 in 355-year
9 occurrence is quite rare?

10 A. It's rare, but I would have also expected the
11 company to look at the data, and I said that in my
12 testimony. If you look at my Schedule 7-2, you'll notice
13 that there were other days that you're showing outside of
14 your plus 2 standard deviation -- or excuse me -- other
15 months.

16 Q. How often does Halley's Comet show up?

17 MR. SCHWARZ: Objection.

18 MR. DUFFY: I'll make it relevant.

19 JUDGE WOODRUFF: Overruled.

20 BY MR. DUFFY:

21 Q. Do you know how often Halley's Comet shows up?

22 A. No.

23 Q. If I suggested to you it shows up once in
24 every 76 years, would that refresh your recollection on
25 that?

1 A. I don't --

2 MR. SCHWARZ: I object to reference of

3 Halley's Comet.

4 JUDGE WOODRUFF: Obviously Halley's Comet is

5 not particularly relevant. I assume you're moving into

6 other areas. I'll sustain the objection as to Halley's

7 Comet. You can go ahead and make further inquiry, if you

8 wish.

9 BY MR. DUFFY:

10 Q. Please turn to Schedule 9-3 of your Direct

11 Testimony. In the normal month HDD column at the top the

12 total winter heating degree days shown there is 4,585; is

13 that correct?

14 A. Yes.

15 Q. Now, turn to Schedule 7-4 of your Direct. The

16 winter of 2000/2001 heating degree days shown in that far

17 right column is 5,148; is that correct?

18 A. Yes.

19 Q. Can you tell me on a percentage basis how much

20 greater 5,148 is than 4,585?

21 A. It's 12 percent.

22 Q. I got about 12.3 percent.

23 A. Yes.

24 Q. Would you agree then with me that the winter

25 of 2000/2001 as a whole was approximately 12 percent colder

1 than normal?

2 A. Yes.

3 Q. Even though November and December 2000 were

4 the coldest consecutive November and December for at least

5 the last 40 years, and, therefore, a rare occurrence and the

6 winter of 2000/2001 as a whole was over 12 percent colder

7 than normal based on your data, did MGE have any customer

8 curtailments for the winter of 2000/2001?

9 A. Not that I'm aware of.

10 Q. Are you familiar with the term "operational

11 flow order"?

12 A. Yes.

13 Q. Do interstate pipelines issue them regarding

14 capacity issues?

15 A. Yes.

16 Q. Would you agree there are generally two kinds

17 of operational flow orders, those that require shippers on a

18 pipeline to follow specific guidelines regarding their

19 capacity as a result of operational problems on the

20 pipeline, and then those that are as a result of individual

21 shipper's improper management of their capacity or supply

22 resources?

23 A. Yes.

24 Q. Did MGE receive any operational flow orders

25 from any pipelines for the winter of 2000/2001 regarding

1 MGE's management of its capacity or supply resources?

2 A. They received operational flow order notices.

3 I think your question was, was it specific to MGE. No.

4 Q. So, in other words, no pipeline told MGE that,

5 You've got to stop doing something because you've mismanaged

6 your supply or capacity; is that right?

7 A. That's right. They were general notices.

8 Q. Did any of MGE's suppliers fail to deliver the

9 nominated amounts on any specific day for the winter of

10 2000/2001 to MGE?

11 A. Not that I'm aware of.

12 Q. Did MGE receive any penalties from its

13 suppliers for the winter of 2000/2001 as a result of MGE's

14 mismanagement or any other problems?

15 A. I can't answer that. That's something that --

16 that Anne Allee looks at.

17 Q. You're not aware of any?

18 A. No.

19 Q. You've said that maintaining sufficient

20 storage inventory to meet historic peak day demand during

21 the core winter months of December, January and February is

22 one of MGE's stated main objectives; is that right?

23 A. Yes.

24 Q. And even though you've criticized MGE's

25 storage utilization for the winter of 2000/2001 in this

1 proceeding, did MGE, in fact, meet its peak day demand
2 throughout the winter of 2000/2001?

3 A. There were no days near the peak day during
4 2000/2001.

5 Q. Could you say that again? I'm not sure I
6 understood you.

7 A. There were no days that were actually near the
8 peak historic cold day during the 2000/2001 heating season.

9 Q. That wasn't my question. My question was, did
10 MGE meet its peak day demand throughout the winter, the
11 peaks that the customers put on the MGE system during the
12 winter? Did they meet all of those?

13 A. Yes.

14 Q. So MGE had sufficient supplies to meet the
15 actual demand that was experienced on its system even though
16 November and December were extremely cold and the winter as
17 a whole was 12 percent colder than normal?

18 A. Yes.

19 Q. Staff did not raise any concerns with MGE's
20 storage withdrawal program in the 1999/2000 ACA period, did
21 it?

22 A. No. And let me clarify. I looked at how they
23 operated storage and the operation of that storage was not a
24 concern. It was -- it was not the same as the plan. The
25 weather was different, so concerns were not raised.

1 Q. Back in December when I took your deposition,
2 I asked you a hypothetical question about your proposed
3 30 percent hedging standard. I said that if a company ended
4 up hedging 29 percent in one month and 31 percent in the
5 next month, your approach would penalize the company even
6 though the net effect on the customers was probably very
7 small.

8 You responded in the deposition by saying, and
9 I quote, that when we look at prudence adjustments, that one
10 of the things we look at is if we don't believe that the
11 decision was prudent but it had a minimal impact on the
12 customers, we're probably not going to make the adjustments
13 if it's minimal because it's not worth it to go forward with
14 all of this for minimal adjustments.

15 Do you recall saying that?

16 A. Yes.

17 Q. On that basis then of minimal impact, as I
18 understand the Staff's position in this case, you didn't
19 raise objections for storage withdrawals in the '99/2000 ACA
20 period because you didn't perceive any significant impact to
21 the ratepayers in that period; is that correct?

22 A. And because storage wasn't operated according
23 to the plan because of the way of the weather and possibly
24 other reasons. I didn't pursue it because I didn't see it
25 as an issue.

1 MR. DUFFY: Could I ask the court reporter to
2 read back the first part of the question? Because I didn't
3 understand what she said.

4 THE COURT REPORTER: "Answer: And because
5 storage wasn't operated according to the plan because of the
6 way of the weather and possibly other reasons. I didn't
7 pursue it because I didn't see it as an issue."

8 BY MR. DUFFY:

9 Q. So you said the storage was not operated
10 according to plan in the prior winter?

11 A. Right. They didn't withdraw what they said
12 they were going to withdraw in November. They didn't
13 withdraw exactly what they said they were going to withdraw
14 in December, but since the weather was warmer -- I'd have to
15 go back and look, but there weren't issues. If I thought it
16 was an issue, I would have asked them further questions.

17 Q. So when you say they didn't withdraw what they
18 planned, you're saying that they planned to withdraw more,
19 but they actually withdrew less?

20 A. I'd have to look at the numbers. And I think
21 they're in Mr. Langston's schedule to show you the actuals
22 and the planned. I can do that, if you'd like.

23 Q. I'd not interested in the actual numbers. I'm
24 just trying to understand if you're saying they withdrew
25 less than planned or more than planned.

1 A. In the month of November it would have been
2 less than planned. In the month of December, they pulled
3 more than planned.

4 Q. Okay. That ACA period '99/2000 -- well,
5 strike that.

6 You developed your approach regarding storage
7 withdrawal for -- or during this ACA period that we're
8 looking at here, the 2000/2001 -- you developed it in, what,
9 the spring of 2002?

10 A. Yes.

11 Q. So is it fair to say that your approach in
12 this case was first to determine if you perceived some harm
13 and then compare what MGE did to some other presumably
14 plausible scenario for storage withdrawal and then perform a
15 calculation of the cost of that hypothetical scenario and
16 then compare the actual cost to the hypothetical cost to see
17 if there was a negative consequence?

18 MR. SCHWARZ: If we might, could we have those
19 asked as separate questions in steps? It's a long --

20 MR. DUFFY: Well, if the witness indicates she
21 didn't understand the question, I can certainly try to
22 rephrase it.

23 THE WITNESS: My approach was first to look at
24 what they actually withdrew each month. If I had had a
25 concern with that, I would have gone back and compared it

1 to the plan, which I did have a concern so I went back and
2 compared it to the plan. If I had not had a concern with
3 the plan and could reconcile those two, I would have
4 stopped.

5 But the plan didn't seem to make sense to me
6 so then I went to the next step to say what was the more
7 reasonable plan. And then I did some more calculations.
8 And the whole reason I did that was to quantify what would
9 be a more reasonable approach and was it significant or not.
10 BY MR. DUFFY:

11 Q. Thanks. That was my question.

12 What a gas company withdraws from storage when
13 no other resources are used is simply the difference between
14 flowing gas and total demand, because actual withdrawals are
15 never the same as planned; isn't that right?

16 A. I wouldn't say never. We have some companies
17 that have nominated storage and in that case they can only
18 take what they plan. They have to have some other
19 arrangements for how they're going to work out those
20 differences.

21 Q. All right. Let me restrict that question then
22 to MGE.

23 A. Okay.

24 Q. Isn't your answer correct with regard to MGE,
25 because it does not have that particular wrinkle that you

1 just discussed?

2 A. Yes.

3 Q. In this case you compared what MGE actually

4 did in terms of storage withdrawal for one winter to a

5 storage withdrawal approach you developed which is based on

6 nominating flowing gas equal to the warmest month

7 requirements for November and December and then based on

8 heating degree day distribution for January, February and

9 March; is that correct?

10 A. It was warmest -- warmest month for November,

11 December and January and it was the heating degree day

12 distribution for each month of the winter season, not just

13 the last few months that you mentioned.

14 Q. You're sure about that?

15 A. For the plan, yes.

16 Q. Is it your position today that your approach

17 will provide better results in terms of price protection for

18 the ratepayers than what MGE actually did in the winter of

19 2000/2001?

20 A. Yes.

21 Q. Is it your position that the Commission should

22 order MGE and other gas companies in the state with storage

23 resources to use your approach for storage withdrawal from

24 now on?

25 A. No. Different LDCs have different reasons for

1 how they use their storage. So I would not make that
2 specific to each of those, no.

3 Q. Is it your position the Commission should
4 order MGE to use your approach to storage withdrawal from
5 now on?

6 A. I'm not asking the Commission to do that. I
7 think the company should reconsider their plan for storage.

8 Q. So your approach is simply a recommendation?

9 A. The approach here is simply a quantification
10 of the damages.

11 Q. Well, but to quantify the damages, you had to
12 come up with a theoretical approach on how you would
13 dispatch storage?

14 A. That's --

15 Q. And you did it based on a combination of
16 warmest month requirements and heating degree day
17 distribution. Correct?

18 A. Correct. And then adjustments for the storage
19 pulls for subsequent months based on what was actually done
20 in prior months.

21 Q. So are you saying that that approach will not
22 necessarily work well in every winter? Is that why you're
23 not asking the Commission to order MGE to follow it, but
24 simply making it a recommendation?

25 A. I'm simply making it an adjustment in this

1 case. If the company wants to come back with rationale on
2 how it might operate storage differently than what I am
3 proposing in future years, I would be open to that.

4 Q. So there are other possible ways of operating
5 storage than what MGE actually did and what you're proposing
6 here?

7 A. Yes.

8 Q. And those other ways could be reasonable?

9 A. Yes.

10 Q. I'm going to ask you some questions where
11 we'll talk about first of month flowing supplies. And just
12 for the record, I want to establish what first of the month
13 flowing supplies are.

14 Mr. Langston defined it on page 49 of his
15 Direct Testimony where he says, First of month flowing
16 supplies are supplies of natural gas purchased from a
17 supplier and they're nominated prior to the start of the
18 month in which they will be delivered; therefore, delivery
19 on a consistent or constant basis every day over the entire
20 month and they are not volumes that are being withdrawn from
21 storage.

22 Would you agree with that definition of first
23 of month flowing supplies?

24 A. Yes.

25 Q. On page 19, lines 21 -- excuse me -- lines 19

1 through 21 of your Direct Testimony, Exhibit 12 -- it's
2 page 19, lines 19 through 21. You state that under your
3 recommended approach, you believe MGE should have scheduled
4 first of month flowing supplies for November, December and
5 January based on warm weather requirements; is that right?

6 A. Yes.

7 Q. And on page 20 at lines 5 through 9 you talk
8 about the storage utilization plan following the pattern of
9 heating degree days. And I'll just read what you said on
10 lines 5 through 9 there.

11 You say, Staff would also expect that the
12 planned storage withdrawals for normal weather would be
13 distributed based on the normal distribution of heating
14 degree days in the heating season months; thus, more storage
15 would be utilized in the coldest heating season month of
16 January and the heat storage would be utilized in the
17 warmest heating season month of November.

18 Did I read that correctly?

19 A. Yes.

20 Q. And that's your testimony?

21 A. Yes.

22 Q. But you actually based the flowing supplies
23 nomination on the warmest months requirements for November
24 and December, but not for January; is that right?

25 A. In January I checked to see if they had met

1 the warmest month for the nominations, and they had.

2 Q. So the answer to my question is, yes, you
3 actually based the flowing supplies nomination on warmest
4 months requirements for November and December, but not for
5 January?

6 A. I -- I need to clarify. If you look at
7 November, it's based on warmest month, but I subtracted off
8 what they had said they had or had planned on for their
9 interruptible storage contract.

10 For the month of December, same thing, warmest
11 month less any excess storage withdrawal not pulled in
12 November was a consideration. So I looked at where November
13 storage withdrawals would have been if they had made those
14 first of the month nominations in November and then adjusted
15 December accordingly. Same thing in January.

16 MR. DUFFY: I think for now, for a while at
17 least, we need to go into in-camera. I'm going to ask some
18 HC material.

19 JUDGE WOODRUFF: All right. At this time then
20 we will go in-camera. Anyone who is in the room that needs
21 to leave, please do so.

22 (REPORTER'S NOTE: At this time, an in-camera
23 session was held, which is contained in Volume No. 7, pages
24 463 through 476 of the transcript.)

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1 BY MR. DUFFY:

2 Q. Would an approach -- oh, I'm sorry. Are we
3 ready?

4 JUDGE WOODRUFF: All right. We're back in
5 regular session now.

6 BY MR. DUFFY:

7 Q. Would an approach to storage withdrawals that
8 follows what you said on page 20 on a consistent basis for
9 each of the winter months -- in other words, one that's
10 based solely on the normal distribution of heating degree
11 days in the heating season months -- be a reasonable and
12 prudent approach for a gas company such as MGE to follow?

13 A. It depends on what their plans are as how
14 they're going to swing as the weather turns cold.

15 Q. So you can't tell me now whether following a
16 heating degree day distribution on a consistent basis is a
17 prudent or imprudent approach?

18 A. I think it's prudent as you start out the
19 month.

20 Q. But you may have to make changes depending on
21 what actually happens?

22 A. Correct.

23 Q. When you were working on your proposal in this
24 case, did you perform the necessary calculations to
25 determine what your proposed disallowance would be if you

1 had calculated storage withdrawals and flowing supplies
2 based on the distribution of heating degree days rather than
3 warmest month requirements for November and December?

4 A. No. The company sent me some numbers last
5 Friday and I looked at those numbers.

6 Q. Okay. And do those numbers utilizing your --
7 we utilized your approach but we substituted numbers to
8 follow that approach. And other than that, we followed your
9 approach; is that correct?

10 A. You used the same spreadsheets. These
11 spreadsheets were intended for the approach that I was
12 taking, that -- they were not developed if you had done
13 normals.

14 Q. Okay. Well, let's just get to that, I
15 suppose.

16 MR. DUFFY: I need to have an exhibit marked.

17 JUDGE WOODRUFF: We're up to No. 25.

18 (EXHIBIT NO. 25-HC WAS MARKED FOR
19 IDENTIFICATION.)

20 BY MR. DUFFY:

21 Q. Under normal circumstances the approach to
22 storage withdrawals of following the normal distribution of
23 heating degree days in the heating season, if I understand
24 your previous answer, you would consider to be a reasonable
25 or prudent approach; is that right?

1 A. As changes are made to adjust for weather
2 throughout the month.

3 Q. Okay. You have in front of you what's been
4 marked for purposes of identification as Exhibit No. 25.

5 JUDGE WOODRUFF: Actually, it's 25-HC.

6 BY MR. DUFFY:

7 Q. Do you have that?

8 A. Yes.

9 Q. Have you had the chance to look at the numbers
10 on that?

11 A. I've glanced at them. They seem to be similar
12 to what was sent to me Friday at 5:00.

13 Q. Okay. So, again, what we've done here is the
14 company has asked you to check calculations where we put in
15 some different numbers into your spreadsheet calculations,
16 of course, making our own assumptions about whether those
17 numbers are appropriate or not and this is what the result
18 is using your calculations; is that right?

19 A. That -- that's what was done. And as I said
20 before, my spreadsheet wasn't intended for this purpose, but
21 yes, that was what was done and I did verify the numbers.

22 Q. And, to your understanding, the calculations
23 are correct utilizing the formulas in your spreadsheet?

24 A. Yes.

25 Q. Okay. So we're using a totally different

1 assumption, but we're using your method to get a result.
2 And naturally our result is going to differ from what your
3 result was because we used different assumptions; is that
4 right?

5 A. You used different assumptions, yes.

6 MR. DUFFY: Okay. I would move for the
7 admission of Exhibit 25-HC.

8 MR. SCHWARZ: I object.

9 JUDGE WOODRUFF: What's your objection?

10 MR. SCHWARZ: Yeah. There's no foundation for
11 this document. Mr. Duffy has suggested that we have
12 different assumptions, but there's no witness who has
13 sponsored what those assumptions are or whether those
14 assumptions are relevant to the calculations done by the
15 spreadsheet as a whole. There's no evidence as to the
16 reasonableness of those changed assumptions in the context
17 of a document that was prepared by Staff and provided in its
18 Direct Testimony.

19 If the company wanted to -- and, furthermore,
20 the company took Ms. Jenkins' deposition in December. If
21 the company had wanted to recompute items from Ms. Jenkins'
22 spreadsheet, which they had in electronic format since
23 filed, they certainly could have done so in rebuttal or
24 surrebuttal. But at this point in time in this record there
25 is no evidence, there is no foundation to support this

1 document at this time.

2 JUDGE WOODRUFF: Mr. Duffy, any response?

3 MR. DUFFY: As the document shows, it
4 calculates storage withdrawals for November and December
5 2000 based on the distribution of normal heating degree days
6 rather than flowing supplies, which we've just spent the
7 last half hour or so talking about.

8 And so as I believe Ms. Jenkins has explained,
9 we substituted normal heating degree day numbers for the
10 flowing supply numbers for she -- which she used in those
11 two months and then recalculated using her calculations, her
12 spreadsheet and we get a different result.

13 And I believe she's testified that the
14 calculations we performed with those different assumptions
15 produce an accurate result even though the result differs
16 from what she did.

17 As to his other allegations, this is
18 cross-examination. I believe we're entitled to question her
19 about different results of her proposal utilizing the same
20 calculations. And that's all that we have done here.

21 MR. SCHWARZ: But the point is that they're
22 not her calculations. She has not supported them nor said
23 that the particular changes to particular cells in the
24 spreadsheet are reasonable, that no other changes in the
25 spreadsheet would need to be made because of changes in an

1 isolated one or two cells.

2 I think that it goes without saying that if
3 you change one or two cells -- the values of one or two cell
4 in a spreadsheet, that you'll calculate different results,
5 but that's not the evidentiary problem here. The
6 evidentiary problem here is that there is no support for the
7 changes that were made and there is no support that those
8 changes are reasonable or that they are relevant without
9 more.

10 MR. DUFFY: I think Mr. Schwarz's argument
11 goes to the weight to be afforded this document rather than
12 its admissibility. We used the same numbers that appear in
13 her Schedule 13-2. There are no new extra record numbers in
14 this document.

15 And we are not asking her to agree that the
16 result of this is reasonable. All we're asking her to do is
17 confirm, which I believe she already has, that if you plug
18 in different numbers that are already in the record, you can
19 get a different result. And our evidence will argue for the
20 reasonableness of what the result is.

21 MR. SCHWARZ: Which evidence? Which evidence?

22 JUDGE WOODRUFF: I'm going to overrule the
23 objection at this point. Exhibit 25-HC is admitted into
24 evidence.

25 (EXHIBIT NO. 25-HC WAS RECEIVED INTO

1 EVIDENCE.)

2 JUDGE WOODRUFF: And you may proceed.

3 MR. DUFFY: Thank you.

4 BY MR. DUFFY:

5 Q. If I may just ask you briefly, Ms. Jenkins, on
6 Exhibit 25-HC if you look in Column R of what's essentially
7 a recast of your Schedule 8-1, if you use the assumptions
8 that MGE has used as opposed to your assumptions -- and I'm
9 not asking you to agree to the reasonableness of our
10 assumptions. I'm not.

11 The result shows that there is a credit of
12 approximately \$1.2 million there as opposed to a
13 disallowance of a little over \$8 million; is that right?
14 That's what the numbers show?

15 A. That's what the number shows. I would not
16 have used this spreadsheet if that method had been chosen.

17 Q. Sure. I understand. Because if you had done
18 that method, we wouldn't be here arguing about a
19 disallowance?

20 A. No. Because --

21 MR. SCHWARZ: I object. It's argumentative.

22 JUDGE WOODRUFF: Overruled.

23 BY MR. DUFFY:

24 Q. In this case, the Staff said in its
25 recommendation that its proposal --

1 COMMISSIONER GAW: Excuse me, Judge. Did she
2 answer that question?

3 JUDGE WOODRUFF: I'm not sure if she did or
4 not.

5 Why don't you go ahead and answer the
6 question?

7 MR. DUFFY: Could the court reporter indicate
8 whether she answered that?

9 THE COURT REPORTER: "Answer: No.
10 Because --"

11 JUDGE WOODRUFF: Go ahead and finish your
12 answer.

13 THE WITNESS: Would you repeat the question?

14 THE COURT REPORTER: "Question: Sure. I
15 understand. Because if you had done that method, we
16 wouldn't be here arguing about a disallowance?"

17 THE WITNESS: I would not have used the
18 spreadsheets using those assumptions. This spreadsheet
19 using those assumptions would have required me to consider
20 making major changes to swing supplies or other daily
21 supplies in order to keep storage at those normal levels.

22 That was not considered in the methodology I
23 used because it wasn't necessary because there was some
24 flexibility built in in my spreadsheet for my method. It
25 was not built in and intended for this method.

1 BY MR. DUFFY:

2 Q. In this case the Staff said in its
3 recommendation that its proposal concerning hedging that
4 uses the 30 percent figure is not to be considered optimal
5 or as precedent for future cases. Is that same caution or
6 disclaimer applicable to your proposal on storage
7 withdrawals?

8 A. Yes. I would not -- I would not expect that
9 the company's plan would necessarily be the same or that my
10 evaluation then would -- would result in the same answers.
11 Each year they may submit something different.

12 Q. Well, I was asking about your approach. Are
13 you saying that MGE's performance on storage withdrawal in
14 the future should be measured against your proposal, or are
15 you saying that your proposal should only be limited just
16 for purposes of this case?

17 A. I'm only looking at it for purposes of this
18 case. I can't comment how it's going to come out for the
19 next ACA period.

20 Q. So you might take a different approach in the
21 next ACA period?

22 A. If the company's taking a different approach,
23 then I would evaluate.

24 Q. So you might take a different approach in the
25 next ACA period?

1 A. Yes.

2 Q. So this is not one -- this approach that you
3 have here is not the Staff's recommendation that MGE should
4 follow it indefinitely until told otherwise; is that right?

5 A. I've never stated that. It's simply a
6 quantification of the damages.

7 Q. But to get to a quantification of damages, you
8 had to come up with this approach that mixes heating degree
9 day distribution and flowing supplies, whatever -- the
10 philosophy underlying what's shown on exhibit -- on
11 Schedule 8-1, you had to do that in order to reach a
12 quantification, didn't you?

13 A. Yes.

14 Q. But you're saying that that approach may or
15 may not be useful or appropriate in the future?

16 A. Yes. Again, it depends on what the company
17 submits to me. There may be a whole set of different
18 assumptions. For example, a lot of what I was relying on
19 was the reliability report, but the company's data says it's
20 from 1994. When they re-evaluate that, the numbers may be
21 totally different.

22 Q. Is it possible that your approach could be
23 applicable to years with weather different than the one that
24 we experienced in the winter of 2000/2001?

25 A. It's possible.

1 Q. Let's discuss what the possible result would
2 be if the weather was warmer than normal rather than much
3 colder than normal as occurred in the winter of 2000/2001.

4 If the weather in November were warmer than
5 normal and less storage gas than planned was withdrawn, your
6 approach would suggest that MGE should withdraw more storage
7 gas in December and reduce its planned flowing supplies in
8 December; is that right?

9 A. Yes. Because that's one of the company's
10 stated goals was to utilize all of their storage or
11 practically all of their storage each heating season.

12 Q. And if the weather in December also was warmer
13 than normal, even if the planned flowing supply amount for
14 the month was lower because of what was experienced in
15 November, MGE might not be able to utilize all of the
16 storage that was scheduled to be withdrawn back in November;
17 is that right?

18 A. Yes.

19 Q. Therefore, for example, if both November and
20 December had temperatures that were warmer than normal,
21 under your approach MGE could find itself entering January
22 with very little storage gas having been withdrawn or, in
23 other words, storage would still be relatively full. Isn't
24 that correct under that hypothetical?

25 A. I would not say it's nearly full because

1 they've only nominated enough for warmest month. Unless
2 November and December were both the warmest month, that
3 would not be true.

4 Q. Is it possible that it could be relatively
5 full under that scenario, hypothetically?

6 A. If both of those months had been the warmest
7 November and December on record, yes, that is possible.

8 Q. You would agree with me, wouldn't you, that
9 MGE and other gas companies with storage are likely to fill
10 that storage over a several-month period with gas at what
11 could be different prices from different suppliers?

12 A. Yes.

13 Q. That gives rise to the term "storage WACOG,"
14 W-A-C-O-G or the Weighted Average Cost Of Gas storage, does
15 it not?

16 A. Yes.

17 Q. So the storage WACOG at the start of a winter
18 could possibly be at a price that is either higher or lower
19 than the first of the month index prices for the flowing gas
20 which is experienced during the winter?

21 A. That's possible.

22 Q. You would agree, wouldn't you, that since
23 storage is an operational tool for a system operation and a
24 physical hedge, storage is typically cycled each year; in
25 other words, you fill it up and then you try to take it out?

1 A. It is cycled to some extent. Not -- not all
2 companies plan to cycle all of their storage every year.

3 Q. If the weighted average cost of gas in storage
4 is greater than the first of month index price for November
5 and December, your approach, which utilizes comparatively
6 little storage gas in those months of November and December,
7 would be a benefit to ratepayers compared to a plan that
8 utilizes relatively more storage in those months; isn't that
9 right?

10 A. I didn't quite understand the question.

11 Q. I'll read it to you again. If the Weighted
12 Average Cost Of Gas in storage, the storage WACOG, is
13 greater than the first of month index price for November and
14 December -- you with me so far?

15 A. I think so.

16 Q. Your approach to storage utilization, which
17 uses comparatively little storage gas in November and
18 December, would be a benefit to ratepayers compared to a
19 plan that utilizes relatively more storage in those months?

20 A. It's really hard to answer that because this
21 company also uses storage to swing on, so it depends on
22 where swing gas is on as the month goes on. So without
23 further analysis, I -- I just don't know that I can answer
24 that one way or another.

25 Q. You can't make an answer based on that

1 hypothetical?

2 A. No.

3 Q. Since your proposal uses relatively more
4 storage in the latter portion of the winter, January,
5 February and March, if the storage WACOG continued to be
6 greater than the first of the month price, wouldn't your
7 approach also result in greater costs relative to a plan
8 that utilizes less storage in those months?

9 A. Not necessarily. Again, it depends on where
10 the weather goes and where spot prices and swing prices --
11 or prices for swing gas go. It just depends on the month
12 and the situations in those months.

13 Q. Can you give me a definition of swing
14 supplies?

15 A. I believe Mr. Langston gave that yesterday
16 and -- maybe it was the day before. Swing gas contracts --
17 many companies will contract for supplies that could vary
18 from zero to some upper bounds or they may have a lower
19 bounds that isn't zero up to some upper bounds and they can
20 flow that gas anywhere in that range.

21 Q. Its advantage is flexibility because you can
22 get different amounts depending on what you want?

23 A. Yes.

24 Q. Can you give me a definition of spot or spot
25 market supplies?

1 A. Spot is where -- it's a contract where they
2 can go out daily and do very similar things. They can
3 contract for small amounts or large amounts on a daily
4 basis.

5 Q. I want to focus on a statement you made in
6 your Direct Testimony on page 20, lines 1 through 4. You
7 say, This means that when the month experiences heating
8 degree days that are the warmest for that month, flowing
9 supplies would cover the requirements; however, storage
10 would be used when the weather is colder than the warmest
11 heating degree days. Storage and swing/spot supplies would
12 be used for colder days.

13 I want to put that in some other words and see
14 if you agree that I'm making the same point. I believe
15 you're saying that first of month flowing supplies would be
16 determined based on warmest month requirements, and then if
17 the weather becomes colder than normal, you expect MGE to
18 meet the extra demand with a combination of storage gas and
19 swing or spot market supplies?

20 A. Yes.

21 Q. That's another way to say the same thing you
22 said?

23 A. Yes.

24 Q. Therefore, it would be prudent to utilize
25 storage gas and swing or spot market supplies when the

1 weather is colder than normal?

2 A. To a degree, yes. I mean, the company's also
3 going to have some other objectives for storage.

4 Q. When you made your disallowance calculations
5 on Schedule 8-1, you did not assume prices for daily swing
6 or spot purchases, did you?

7 A. I didn't do the pricing calculations in that
8 table.

9 Q. Well, are you familiar with Schedule 8-1? And
10 there are -- there are no prices for daily swing or spot
11 purchases in Schedule 8-1, are there?

12 A. That's right.

13 Q. Does your testimony contain any analyses that
14 show what the level of disallowance would be under your
15 approach if the combination of storage and swing or spot
16 supplies were utilized?

17 A. Say that again, please.

18 Q. Does your testimony contain any analyses that
19 show what the level of disallowance would be under your
20 approach if a combination of storage and swing or spot
21 supplies were utilized?

22 A. In -- in the analysis as we're calculating the
23 adjustment, for example, the company did use some -- I don't
24 recall if it was spot or swing in the month of December. We
25 didn't take those away from the analysis, so they're kind of

1 implied in there. So they are considered.

2 Q. But you just told me that your disallowance
3 calculations did not use any prices for daily swing or spot
4 purchases. All you've told me in that answer is that MGE
5 did.

6 A. In the disallowance, that's correct.

7 Q. Okay. If your analysis and your approach had
8 included a combination of storage and swing or spot supplies
9 and the average daily spot price in November 2000 was
10 greater than the storage WACOG -- are you with me so far?

11 A. You're saying spot prices are greater than
12 WACOG?

13 Q. Daily spot price in November 2000 greater than
14 storage WACOG.

15 A. Okay.

16 Q. Using your analysis, the proposed disallowance
17 would have been something less than \$8 million, wouldn't it?

18 A. Offhand, I can't answer that. I mean, that's
19 something I'd have to go back and see if that would make a
20 difference. It's --

21 Q. So you can't, without doing the calculations,
22 project using that different approach what the result would
23 be?

24 A. No.

25 Q. Would your answer be the same if I substituted

1 spot prices for December 2000 for November 2000?

2 A. Yes.

3 Q. Okay. I think I've heard you say that your
4 approach that you utilized to calculate the disallowance is
5 not the only reasonable storage utilization approach that's
6 out there; is that right?

7 A. That's right.

8 Q. There can be other ones and they could be
9 based on normal heating degree day distributions; is that
10 right?

11 A. Yes.

12 Q. They could be based on flowing supplies also?

13 A. Yes. I mean, this month considers flowing
14 supplies.

15 Q. Okay. And you could have methods that use
16 combinations of heating degree days and flowing supplies?

17 A. Yes.

18 Q. Could there be other reasonable alternatives
19 if reliability was the primary planning criteria rather than
20 price?

21 A. Yes.

22 Q. You said in your Direct Testimony that, quote,
23 Staff, is proposing that for the heating season of
24 2000/2001, a minimum reasonable hedge for the company to
25 have in place heading into the heating season would have

1 been 30 percent of normal for each month of the heating
2 season. But you didn't develop that 30 percent number until
3 some time in the spring of 2002; is that correct?

4 A. That's correct.

5 Q. And that was, of course, well after the
6 completion of the winter of 2000/2001 and the ACA period for
7 this proceeding. Correct?

8 A. Correct.

9 Q. And Staff is recommending a disallowance of
10 \$614,365 because a minimum hedge of 30 percent was not made
11 in each winter month of the ACA period; is that right?

12 A. Yes.

13 Q. Did the Commission ever issue an order or rule
14 or make a policy statement prior to the winter of 2000/2001
15 which states that LDCs in Missouri would be expected to
16 abide by a monthly hedging standard of 30 percent of normal
17 monthly requirements?

18 A. Not to my knowledge.

19 Q. Did they do such a thing after the winter of
20 2000 or 2001?

21 A. No.

22 Q. And we've previously established that in the
23 Staff memo the Staff is saying that its 30 percent minimum
24 should not be viewed as an optimal level or as precedent for
25 future hedging levels; is that right?

1 A. Yes.

2 Q. So that means, does it not, that the Staff
3 only intends for that 30 percent hedging standard to be
4 applied for the 2000/2001 ACA period?

5 A. It means that's how we were applying it was
6 for that ACA period.

7 Q. Let's look at your Surrebuttal Testimony for
8 just a second. I'd ask you to turn to page 3. At that
9 point you include a list of things that goes on for another
10 page and a half.

11 My question to you is, is there any present
12 requirement by rule or order of the Commission that MGE
13 provide the Staff with the information that you list there
14 and in the form that you propose?

15 A. No.

16 Q. Do you want all of the gas companies in the
17 state to provide the Staff with the information in this
18 format that you list on these pages?

19 A. I don't know what you mean by "in this
20 format," but we believe that in order to understand the
21 company's planning process, we need this type of
22 information.

23 Q. So you would like to see this information from
24 all of the gas companies in the state, not just MGE?

25 A. Yes.

1 Q. Did you have this list when you prepared your
2 Direct Testimony in January?

3 A. There's a similar list in other ACA cases.

4 Q. So is the answer to that question yes or no?

5 A. It -- it would not have been identical, but
6 there would have been similar -- a similar list in other ACA
7 cases.

8 Q. So you could have put this or a similar list
9 into your Direct Testimony that you filed in January of
10 2003?

11 A. Could have, yes.

12 Q. And I guess you could have done the same thing
13 when you filed your Rebuttal Testimony in March?

14 A. Yes.

15 Q. Is this somewhat similar to the same list the
16 Staff has circulated in what we might call an informal
17 rule-making discussion with the gas companies?

18 A. Yes.

19 Q. Has there been a formal rule-making on that?

20 A. Not to my knowledge.

21 Q. Have you evaluated the hours per year required
22 to produce the information, studies, alternatives,
23 forecasts, strategic plans and so forth that are set out in
24 your Items A through O?

25 A. No.

1 Q. With regard to Item A, I see that you mention
2 hedging there. Could you explain to me what you're
3 referring to there?

4 A. Meaning given their plans for gas procurement,
5 how -- how does hedging fit into that? What percentage or
6 how much of it is going to be fixed price? How much is
7 going to have other -- how much storage? How much other
8 volumes would be covered with -- with other types of
9 hedging?

10 Q. You also mention hedging in Item G where you
11 talk about a detailed hedging plan. What kind of hedges do
12 you have in mind in Item G?

13 A. We're not stating that they have to be
14 particular hedges, just details of how the company came up
15 with the hedging plan.

16 Q. So you might expect all of the possible types
17 of hedges to be addressed in response to that type of a
18 requirement for information?

19 A. Not necessarily. Some smaller companies, for
20 example, are going to say the only reasonable hedges for
21 them may be A, B or C; whereas, a larger company might have
22 a much longer list.

23 Q. Would you recommend that all the gas companies
24 in Missouri employ call options to cap prices?

25 A. No.

1 Q. Has the Staff determined how many customers of
2 MGE would rather have price stability and pay for hedging
3 costs versus not paying for the cost of hedging and, thus,
4 having lower costs on average but perhaps more volatile
5 costs?

6 A. No.

7 Q. Did the Staff do any kind of poll of MGE's
8 customers to determine that if a customers wanted 30 percent
9 of normal volumes to be hedged on a monthly basis?

10 A. No.

11 Q. How much money should be spent by MGE for
12 financial hedging each year?

13 A. I -- I don't -- I don't have a particular
14 number in mind. I expect that the company would be
15 evaluating that.

16 Q. Why don't you have a particular number in
17 mind?

18 A. We don't tell the companies how to hedge. We
19 suggest that they should hedge.

20 Q. So you don't tell them how to hedge or how
21 much to hedge going into a winter?

22 A. No. That's the company's decision.

23 Q. Should MGE and other gas companies in Missouri
24 expect to recover the money they spend to produce physical
25 and financial hedges through the rates they collect from

1 ratepayers?

2 A. I would defer that kind of questioning to Dave
3 Sommerer.

4 Q. So you have no opinion as to whether the gas
5 company ought to recover the cost of the hedges that you're
6 talking about in your Surrebuttal Testimony?

7 A. I mean, I can give you a general answer. In
8 the ACA reviews we review costs to see that they're
9 reasonable.

10 MR. DUFFY: That's all the questions I have,
11 your Honor.

12 JUDGE WOODRUFF: All right. We'll come to up
13 questions from the Bench. Commissioner Murray?

14 QUESTIONS BY COMMISSIONER MURRAY:

15 Q. Good morning, Ms. Jenkins.

16 A. Good morning.

17 Q. First of all, I will ask you with the
18 disallowances that Staff has made, how many of those
19 disallowances were for swing or spot supply purchases?

20 A. Do you mean the storage adjustment?

21 Q. Yes.

22 A. They were not particularly tied onto -- to any
23 type of purchases. It -- they were tied to how the volumes
24 of first of the month and, thus, how storage --

25 JUDGE WOODRUFF: I'm sorry to interrupt. If

1 you'd move a little bit closer to the microphone. I'm
2 having a hard time hearing you.

3 THE WITNESS: Sorry. The disallowance for
4 storage pertains to more of how the numbers were determined
5 for first of the month and, thus, how storage turned out,
6 which isn't directly tied to the spot and the swing gas.

7 BY COMMISSIONER MURRAY:

8 Q. Isn't it tied to the prices that were paid for
9 the spot or the swing gas in various months though to come
10 up with the figure for disallowance?

11 A. Let me find my Schedule 8. Just a second.
12 The numbers were tied to the -- the storage
13 Weighted Average Cost Of Gas and then the first of month
14 pricing, which would not have been swing or spot pricing.

15 Q. Okay. So they were tied to the first of the
16 month pricing. Then your disallowances were based upon the
17 prices at the first of the month; is that accurate?

18 A. All's I could answer is my understanding of
19 this table. I mean, how the first of the month was
20 calculated, you'd have to address those questions to Anne
21 Allee.

22 Q. Okay. I want to go back to a question that
23 Mr. Duffy was asking you about the WACOG. If the weighted
24 average costs of gas in storage were greater than the first
25 of the month price, I would assume that would be a scenario

1 that would be likely to be warmer than normal weather?

2 A. That would be a possibility, yes.

3 Q. And would the reason that the first of the

4 month price was lower than the weighted average cost of gas

5 in storage be likely to be that supply is greater than

6 demand at that time?

7 A. That's a possibility, yes.

8 Q. And wouldn't that be driving the price

9 downward if supply is greater than demand?

10 A. That -- that's possible, yes.

11 Q. So if we used your approach of using more

12 first of the month flowing supplies versus storage -- gas in

13 storage, wouldn't your methodology be likely to result in an

14 excess capacity having to be sold into a down market in

15 warmer than normal weather?

16 A. From the information that we obtained from the

17 company, that's why we selected that warmest month. So that

18 although you might have injections on some days, you'd still

19 have withdraws on others.

20 And if the weather turned out to be warmer

21 than normal for the month, you wouldn't have had any storage

22 pulls because you would have nominated sufficient gas at

23 first of the month for that warmest weather. So, I mean,

24 you wouldn't be bringing on more spot or swing in that case.

25 You would simply have what you nominated at first of the

1 month.

2 Q. Okay. And that was something I didn't
3 understand about the tables that we were looking at in your
4 Schedule 13. And maybe I'm just misunderstanding the
5 calculations here, but it appears that when you revised the
6 normal calculations to warmer than normal, that resulted in
7 fewer storage withdrawals.

8 A. Yes. Because first of the month would have
9 covered warmer than normal; whereas, the company's proposal
10 was not to cover enough gas even for a warmest month with
11 first of the month.

12 Q. I'm sorry. Say that -- please make that
13 statement again.

14 A. Let me rephrase it a little bit. The company,
15 for example, in November did not plan on enough first of the
16 month gas to cover even warmest month so, thus, we increased
17 that value to a higher level to cover at least warmest
18 month, which would then have dropped the storage numbers.

19 Q. And when you say they didn't plan to cover
20 even the warmest month, they didn't plan which? Storage
21 withdrawal or purchase of first of the month flowing supply?

22 A. Purchase of first of the month flowing
23 supplies.

24 Q. Which under your calculations would have
25 resulted in fewer storage withdrawals; is that correct?

1 A. For -- for this -- this scenario for the
2 normal-than weather is whether it's colder, then the company
3 plans on pulling more from storage until they exceed the
4 constraints is the way they explain.

5 Q. But you based your calculations on what should
6 have been the storage withdrawal and flowing supplies with
7 your adjustments on warmer than normal weather; is that
8 correct?

9 A. Yes.

10 Q. And let's take a scenario where the weather is
11 cold -- actually is colder than normal. And that would
12 result in demand being high compared to the supply; is
13 that --

14 A. Yes.

15 Q. And that would be driving prices upwards; is
16 that correct?

17 A. That -- that's possible, yes.

18 Q. When demand is high compared to supply, don't
19 prices generally respond by moving upward?

20 A. Yes. I mean, it might consider other things
21 too such as where is storage in general. Sometimes that
22 will affect that as well. If people believe there's more
23 than enough gas in storage, that might also be affecting
24 that pricing number.

25 Q. That affects the supply portion of the

1 scenario, doesn't it?

2 A. Uh-huh.

3 Q. So if we took your approach of using more
4 flowing supply -- first of the month flowing supplies and
5 during that month the prices actually came down or the
6 weather became warmer driving prices downward, would that
7 have not possibly and perhaps even likely resulted in having
8 to sell excess gas into a market that was moving downward?

9 A. No. I'm not convinced of that, because I used
10 warmest month in my Surrebuttal. I also stated that if the
11 company could provide that, I can see possibly having lower
12 first of the month, but then as the weather turned colder,
13 they would have to bring on swing supplies to make up that
14 difference. They couldn't then swing on storage.

15 Q. But you're assuming that it's warmer than
16 normal first of the month and colder than normal within the
17 month; is that right?

18 A. No. I'm saying they nominate at warmest month
19 because they know they're going to flow that amount
20 regardless of what the weather ends up being. Even if the
21 weather is as warm as it's ever been, they can count on for
22 the month using that amount of gas.

23 And then if conditions turn out to be
24 different than that as the month goes on, obviously they
25 would be pulling some from storage, but if it was definitely

1 colder than normal, they would be considering whether or not
2 they're also going to bring on spot or swing gas.

3 Q. And if it remained warmer than normal, what
4 would happen?

5 A. Then that first of the month nomination would
6 meet the requirements for that month.

7 Q. With Staff's methodology, is it possible that
8 with either warmer or colder weather -- colder than
9 normal -- warmer or colder than normal weather during the
10 month that the result of your approach could be selling into
11 a market where the price was going down?

12 A. It -- if I could address that in two parts.
13 If it's colder than normal, then there are obvious --
14 they're going to have to bring on -- they're going to have
15 to have more gas to meet requirements so they wouldn't be
16 selling anything off.

17 If it's warmer than normal, it would have to
18 be -- if it's the warmest month on record, which is, you
19 know, the -- what this is based on, they would be using that
20 gas throughout the month.

21 I did -- I did say in my Surrebuttal that if
22 they could provide evidence that says in early November they
23 need more flexibility, they could nominate less first of the
24 month, but then as the weather turned out not to be that way
25 or as the rest of the month proceeded, they would have to

1 bring on more gas.

2 Q. If it became colder?

3 A. Yes.

4 Q. But if it remained -- if it were unusually

5 warm --

6 A. Even if it were the warmest month, if they had

7 not nominated enough at the start of the month to cover even

8 the warmest month, they have to get that gas from somewhere.

9 So they're -- they're proposing nominating even less than

10 what they need for warmest month, so if it turns out to be

11 warmest, they still need gas.

12 Q. When Mr. Duffy showed you Exhibit 25-HC --

13 COMMISSIONER MURRAY: Are we in-camera?

14 JUDGE WOODRUFF: We're not in camera now, no.

15 COMMISSIONER MURRAY: And I guess I don't

16 really need to mention numbers, so --

17 THE WITNESS: Could you tell me what 25 is? I

18 don't have mine numbered.

19 BY COMMISSIONER MURRAY:

20 Q. It's the last exhibit that Mr. Duffy handed

21 you, calculation of withdrawals.

22 A. This one? Okay.

23 Q. And you indicated that you would not have used

24 this spreadsheet because it would have required making major

25 changes to daily supplies to keep the storage levels, I

1 guess, at an appropriate level. Is that what your answer
2 was? I wasn't quite sure I understood what you were saying.

3 A. Yes. For example, in the month of November,
4 if they had planned on using that level -- normal level of
5 storage and, thus, they reduced their first of the month to
6 even lower numbers, which would have been lower than warmest
7 month requirements, then as the weather turned out to be not
8 warmER than warmest month, they have to be making some
9 changes.

10 So if I were to -- to assume what they've
11 assumed here, somehow you have to build into this
12 spreadsheet how they're going to bring on swing supplies or
13 spot supplies to adjust for that.

14 Q. And is that why you argue that the
15 calculations have to be made on a monthly basis?

16 A. Calculations would need to be made on a
17 monthly basis because that's how the nominations are made is
18 on a monthly basis. But then they also have additional
19 information. As they're making nominations for December,
20 they know where weather's been and they know about where
21 their storage is so they make adjustments.

22 Q. Based on the level of storage at that time,
23 plus what they know about the weather?

24 A. Uh-huh. Yes.

25 Q. And in early November, what was the general

1 expectation for weather in that particular winter period or
2 that early winter period?

3 A. I -- what I looked at from the company, their
4 forecast only went out for the current day and six days out.
5 So they didn't have projections out for the winter. They
6 generally plan on normal, because even if they can get
7 somebody to commit to something, you don't know what the
8 weather's going to do. So that's why this company and other
9 companies look at normal.

10 Q. And what was your projection for the weather?

11 A. I -- I didn't provide a projection for
12 weather.

13 Q. And your reason for using warmer than normal,
14 would you explain that again?

15 A. If -- if the weather was the warmest on record
16 on -- then as the month proceeded, they were assured that
17 they would use at least that much gas. And then if the
18 weather turned out not to be the warmest on record, then
19 they bring on storage and at some point if it's cold, they
20 may also bring on swing or spot supplies.

21 Q. And I guess where I'm having my most trouble
22 understanding your -- what it is you're saying about the use
23 of warmer than normal is why if the weather -- if you're
24 basing it on warmer than normal usage, why you wouldn't be
25 increasing the use of storage versus decreasing the use of

1 storage.

2 A. As -- because the company's assumption was
3 that they were going to nominate less than warmest month.
4 So they're doing a comparison using that. And as you
5 increase that first of the month to the warmest level, then
6 that turns around and decreases the storage number.

7 Q. And I guess that's where intuitively I don't
8 understand. If it were going to be warmer than normal, why
9 you wouldn't be using more storage rather than buying first
10 of the month flowing supplies.

11 A. They didn't know what the weather was going to
12 be. As they're making decisions at the end of October, they
13 don't know for sure what November's going to be.

14 Q. Then I'm talking about your calculations based
15 on assumption of warmer than normal result in less use of
16 storage gas supplies.

17 A. It's a -- it's a comparison. I mean, they're
18 saying if I plan for less than warmest month, I'm going to
19 use, say, 162,000, but then to bring that up to warmest
20 month it has to 181,000, which is shown in these tables.

21 So as you bring those numbers up, then you're
22 just subtracting from the normal month estimate which didn't
23 change. So that's -- as you bring one number up, the other
24 number has to come down, which is the storage number.

25 Q. So they always have to work in tandem is what

1 you're saying?

2 A. Yes. When you're planning at the start of the
3 month or for the start of the month, yes.

4 Q. And you don't take into consideration that if
5 you're going to have -- if you do, in fact, have warmer than
6 normal weather, you may end up having to sell off some of
7 your gas that's in storage?

8 A. You wouldn't sell off gas in storage. What
9 the company is saying is they would have to sell off some of
10 that first of the month. But since it's -- you're only
11 nominating for warmest, it's not going to be warmer than
12 warmest. They've not contended that. You've taken the
13 warmest from their information. So you have no reason to
14 expect that it would ever be warmer than that.

15 Q. So you're saying there was no scenario under a
16 warmer than normal calculation in which any gas would have
17 had to have been sold into the market?

18 A. From the information they gave us, no. But I
19 did concede in my Surrebuttal that if they could provide
20 that information, then what you would do is reduce first of
21 the month slightly, but then as the weather turned out not
22 to be what they're saying, not to be warmest on record, then
23 you would -- you would have to bring on swing supplies or
24 spot supplies to make up that difference so that you at
25 least have enough flowing to cover that warmest month.

1 COMMISSIONER MURRAY: I believe that's all I
2 have. Thank you.

3 THE WITNESS: Thank you.

4 JUDGE WOODRUFF: Commissioner Gaw?

5 COMMISSIONER GAW: Thank you, Judge.

6 QUESTIONS BY COMMISSIONER GAW:

7 Q. Let me see if I can delve into this for just a
8 little bit. I apologize for the time we're taking, but if
9 we're -- if I understand, your scenario of what the
10 calculation for November should be is based upon the concept
11 of what the warmest November was historically over a period
12 of time?

13 A. Yes.

14 Q. The other day when Mr. Reed was testifying,
15 were you here?

16 A. For most of that, yes.

17 Q. Did you hear him when he was talking about a
18 scenario in regard to the shoulder month of November in
19 making sure that you did not anticipate or plan for flowing
20 gas numbers that could cause you to have to dispense of
21 flowing gas into a market because you weren't able to use
22 it?

23 A. I -- yes, I understand that concern. And one
24 of the ways that --

25 Q. And I'm heading in a particular direction

1 here, but you heard that. Right?

2 A. Yes.

3 Q. Okay. And when you were listening to that --

4 the concept, as I understand it, is that you do not want to

5 get into a situation, according to Mr. Reed, where you have

6 to dump gas on a market that you've already reserved.

7 But if you run into an extra warm November,

8 for instance, and you have anticipated using flowing gas at

9 an amount that's greater than what you would use in a warmer

10 than normal November, you don't want to have that gas --

11 have to sell it on the market at a sharply reduced rate. Is

12 that what the concept is?

13 A. Yes.

14 Q. And isn't that exactly what you're trying to

15 anticipate when you're using the warmest November of record

16 in determining what the amount should be on reservations for

17 flowing gas or for November?

18 A. Yes.

19 Q. Isn't that what you're trying to do when you

20 use the warmest month or November historically instead of

21 some other historical number that is a colder November?

22 A. Yes.

23 Q. Is that the reason that you made the

24 calculation that way?

25 A. Yes.

1 Q. Now, in making the calculation that way, that
2 then assumes that the amount of flowing gas that you'll use
3 in November is probably an amount that's less than what will
4 actually be needed if your sole source was flowing gas?

5 A. That's correct.

6 Q. Because you're probably going to get a
7 November that's -- I mean, the likelihood is you're going to
8 get a colder November than the warmest November on record?

9 A. Yes.

10 Q. And so what you're saying, if I understand
11 this correctly, is that then you look to other sources to
12 fill the gap?

13 A. Yes.

14 Q. One of the sources would be storage?

15 A. Yes.

16 Q. There could be other places to look, swing
17 gas, other sources that -- you've named a few?

18 A. Yes.

19 Q. The reason that you're using flowing gas at
20 that level is to avoid the problem that Mr. Reed was talking
21 about the other day?

22 A. Yes.

23 Q. Okay. If it weren't for that problem, we
24 could talk about using even more flowing gas and if there
25 was a ready made place in the market for the excess gas you

1 reserved or you had a place you could inject it into storage
2 if you weren't already full in storage, there might be some
3 other avenues then?

4 A. That's possible.

5 Q. But you're not trying to paint that scenario
6 in your assumptions?

7 A. No. I do acknowledge that the company will
8 have some daily variability. Some days are going to be
9 warmer than the average warmest for the month and some days
10 are going to be colder than that average. And they have
11 commented in DR responses and confirmed that they had some
12 flexibility with their storage so that they could do some
13 injections on some days.

14 Q. If you get into a place in November where some
15 storage has been utilized by MGE, you're saying that then
16 there may be some possibility of injecting back into the
17 storage on capacity that is available?

18 A. Yes.

19 Q. Is Staff's position in this case about the
20 amount of actual planning for significant spikes in gas
21 prices for the 2000/2001 winter season?

22 A. No. The whole issue came about because the
23 withdrawal seemed questionable to me, then the planned
24 seemed questionable. If the dollar numbers had shown that
25 overall it didn't have a great effect on the customers, we

1 wouldn't be making an adjustment. But the dollar amount
2 said that it did have a major impact on the customers.

3 Q. Help me to understand what Staff's belief is
4 as to the rationale for a company not engaging in other
5 significant movements toward hedging for that winter season
6 besides storage.

7 A. I more comment on, you know, where has normal
8 been, where has warmest been. Why they didn't -- I mean, I
9 think Dave Sommerer commented more on that and our
10 consultant may -- he did comment more on that in his
11 testimony.

12 Q. All right. I'll ask on that, see if --

13 A. Okay.

14 Q. Specifics in the amount that you selected for
15 how much storage should have been used in -- let's start
16 with November. What is Staff's position regarding the
17 amount of storage that should have been used in November
18 assuming that flowing gas was reserved at the amount
19 necessary to cover the warmest November historically?

20 And I guess I should back up with the question
21 first; and that is, what's Staff's position in regard to
22 what percentage flowing gas should have been -- should be
23 utilized on a warmest November scenario as compared to
24 amount of storage? Can you break those percentages down or
25 point to it in your documents?

1 A. If -- if you go to Schedule 13-2 of my
2 Direct --
3 Q. Go ahead.
4 A. -- Column D, Row 80 shows the daily average
5 demand, which would have been the demand for normal
6 November. We are proposing that they should have had daily
7 flowing supplies of 181,265.
8 So if your question is what percentage of that
9 is met with flowing, it's right -- it's 72.4 percent, which
10 is shown below that in that same column.
11 Q. And the remainder is met --
12 MR. SCHWARZ: Excuse me. Are we highly
13 confidential?
14 MR. DUFFY: She's saying HC numbers.
15 COMMISSIONER GAW: Good point. Sorry.
16 THE WITNESS: Sorry.
17 JUDGE WOODRUFF: We're not in-camera at this
18 time. If you can answer the questions without giving
19 specific numbers, Commissioner Gaw's also looking at the
20 same chart. If you can just refer to a position on the
21 chart. If that won't work, then we will go in-camera.
22 COMMISSIONER GAW: Just go in-camera, please,
23 Judge.
24 JUDGE WOODRUFF: Sure. At this point we are
25 going to go in-camera. Anyone that needs to leave, please

1 do so.

2 (REPORTER'S NOTE: At this time, an in-camera
3 session was held, which is contained in Volume No. 7, pages
4 519 through 527 of the transcript.)

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1 JUDGE WOODRUFF: Okay. We're back live in
2 regular session.

3 COMMISSIONER GAW: Thanks, Judge.

4 JUDGE WOODRUFF: Sorry.

5 COMMISSIONER GAW: That's all right. I
6 apologize.

7 BY COMMISSIONER GAW:

8 Q. Again, does Staff maintain that -- does Staff
9 agree with MGE that storage is appropriate for use as a
10 hedge?

11 A. Yes.

12 Q. All right. Is the scenario that you have
13 outlined -- that Staff has outlined in regard to how much
14 storage you believe appropriately should be planned to be
15 used under the scenarios that you've developed and then
16 actually utilized as facts become available, is Staff's
17 position on that about reliability or about reliability and
18 price stabilization?

19 A. In this case as I'm working through this
20 Schedule 13, that's about the reliability of the operational
21 issues. The other part of that Schedule 8 where we talk
22 about that 30 percent minimum hedge, that's how you use
23 storage to meet your hedge requirements.

24 Q. All right. Well, help me to understand how
25 you separate the two of those things.

1 A. When we were looking at hedge, we had to look
2 at how the company was planning to use its storage. And,
3 therefore, the calculations are based on the numbers they
4 plan to use for storage and then they also had some fixed
5 price contracts.

6 So those combined met their hedge volumes for
7 each month. And then for each month those were compared
8 against that 30 percent minimum that we felt they needed to
9 have for hedge volumes each month. And if they didn't meet
10 that, then the adjustment was calculated.

11 Q. All right. And what months did they not meet
12 it, under Staff's analysis or position?

13 A. They did not meet it in the month of January
14 or the month of March.

15 Q. All right. And that is because --

16 A. That was the company's plan for how they were
17 going -- I mean, they did not have 30 percent of the volumes
18 hedged in those months.

19 Q. Because?

20 A. Decisions they made.

21 Q. I guess what I'm asking is -- I'm giving an
22 open-ended question here, but my question is what is it
23 about their plan that results in your opinion that they
24 didn't have that amount available as a hedge?

25 A. Unreasonable planned use of storage.

1 Q. All right. But what amount did they have
2 available then if it's about storage?

3 A. Well, if, for example, you look at the month
4 of January -- and in that Schedule 8, it lays out what the
5 company's normal monthly storage withdrawal is. And then
6 you add on the fixed price contracts and you get a number
7 and that table -- I can't say the number unless we go --

8 MR. SCHWARZ: Can you identify it by line and
9 column?

10 THE WITNESS: Well, this isn't HC, is it?

11 MR. MICHEEL: Right. Schedule 8 is not HC.

12 THE WITNESS: You're right. If you look in
13 Column D, it's the values with fixed price. If you look in
14 Column C, it's the company's normal storage withdrawal. So
15 we added those two numbers together to get what their
16 planned hedged volumes were.

17 So for January they planned to hedge 4,084,251
18 versus 30 percent of normal requirements being 4,167,526.
19 So they were short 76,275. For the month of March they were
20 short 279,535.

21 Q. And your calculation of how much they should
22 have had hedged, those calculations are shown in which table
23 again?

24 A. They should have hedged a minimum of
25 30 percent of minimum requirements. That's in Column B for

1 each month.

2 Q. Okay. And how did you come up with the
3 30 percent figure?

4 A. There were discussions about where that level
5 should be among Staff and our consultant. And we were --
6 Mr. Sommerer went through most of this yesterday. But we
7 wanted a number that was a reasonable minimum. 70 percent
8 of normal is a reasonable minimum because that's about
9 warmest month requirements.

10 But when we are looking at the winter of 2000
11 and 2001, if a company had chosen to do that, would we have
12 had a problem with it? No. But would a lesser number have
13 been okay? We decided, yes, a lesser number would have been
14 okay. And the number 30 percent was selected.

15 And Mr. Sommerer explained yesterday how that
16 number tied to where storage was for -- and most of the
17 companies had access to some storage. And if they didn't,
18 they had access to fixed price contracts.

19 Q. Explain the 70 percent figure again for me.

20 A. When you look at weather data and usage data
21 for most companies, they can tell what they normally use.
22 And they can also, using similar set of assumptions, figure
23 out what they would need if every month had been the warmest
24 month or every month had been the coldest month.

25 And, in general, a warmest month is about

1 70 percent of a normal month. So they know even if the
2 weather had been warmest on record for every single month,
3 they're assured that they're going to use at least that
4 level of gas each month. That's what that -- that's what
5 they need for a warmest month is about 70 percent of normal.

6 Q. All right. But the 30 percent figure, you
7 just sort of internally agreed that that would be an amount
8 that would be fair?

9 A. In summary, yes. I mean, we felt that some
10 companies had experiences with various financial options.
11 Others weren't as experienced with it so we didn't want to
12 say that everybody had to do that.

13 So what were they familiar with? They were
14 familiar -- we could confidently say that they should have
15 been familiar with storage and they should have been
16 familiar with fixed price contracting. And Mr. Sommerer
17 explained that more in his testimony, but that 30 percent
18 came out of where -- about what people could reasonably pull
19 from storage -- what companies could reasonably pull from
20 storage.

21 COMMISSIONER GAW: I think that's all, Judge.
22 Thank you.

23 JUDGE WOODRUFF: Okay. Go ahead,
24 Commissioner.

25 FURTHER QUESTIONS BY COMMISSIONER MURRAY:

1 Q. I'd like to ask you just a couple more
2 questions from your Schedule 8-1.

3 A. Okay.

4 Q. Now, as I understand it, the Staff's position
5 is that during the month of January and the month of March
6 the customers were damaged based upon the company not having
7 planned at least 30 percent hedging; is that right?

8 A. Yes.

9 Q. And your damages were calculated based on
10 those shortfalls?

11 A. Yes.

12 Q. And then the other months in which the company
13 exceeded 30 percent, were the customers benefited?

14 A. If the hedge exceeded 30 percent -- when we
15 were determining that 30 percent number, we did not discuss
16 that it would be an average number. We discussed that it
17 would be a minimum number. That's why it was decided not to
18 credit. If we had picked an average number, we might have
19 picked something other than 30 percent, but we said
20 30 percent is the minimum.

21 Q. So you didn't calculate anything for exceeding
22 the minimum?

23 A. No. I mean, the calculations are shown there
24 in Column H as far as how much they exceeded, but no, it
25 doesn't then -- we don't go beyond that. Did they exceed

1 it, yes/no.

2 Q. You didn't calculate any damages or any

3 credits on those numbers?

4 A. If they exceeded it, right.

5 COMMISSIONER MURRAY: All right. Thank you.

6 JUDGE WOODRUFF: Commissioner Gaw?

7 FURTHER QUESTIONS BY COMMISSIONER GAW:

8 Q. Did anyone make that calculation?

9 A. I -- I don't know if the company's made that.

10 I think they have said that overall for the winter season

11 they hedged 38 percent. But, again, if we had been

12 selecting a number for the overall season, I'm not -- I'm

13 not willing to say that we would have stayed at 30 percent.

14 30 percent was viewed as the minimum for each month.

15 Q. For a particular month?

16 A. Uh-huh.

17 Q. If I follow down through this scenario of what

18 you were going through -- was it in 13 we were on a while

19 ago?

20 A. Yes.

21 Q. Without getting into numbers, what does that

22 result in the minimum per month -- or what is the hedge

23 amount per month percentage-wise? And if that's HC, please

24 tell me.

25 A. If you look at Schedule 8, and that's not HC,

1 if you look at Column B, that's the 30 percent normal
2 requirement which we're saying is the minimum hedge that we
3 evaluated against for each month.

4 Q. Yes.

5 A. And then if you look at Column G, which is
6 their planned hedge volumes, you can see that they exceeded
7 that 30 percent minimum in the months of November, December
8 and February.

9 MR. DUFFY: Your Honor, I have a document that
10 has those calculations on it that will be introduced later.
11 I can certainly supply the Judge with a copy of it now if
12 you simply want to see what the planned hedge was, a
13 percentage of the normal monthly, and whether we were above
14 or below 30 percent for each of the months.

15 JUDGE WOODRUFF: Are you going to do that with
16 Ms. Allee? Was that the plan?

17 MR. DUFFY: Yes.

18 COMMISSIONER GAW: That's fine if you want to
19 wait. I don't want to go very far with this right now.

20 MR. DUFFY: I was going to give you the
21 numbers as opposed to having people calculate them.

22 COMMISSIONER GAW: Maybe that could be -- I
23 think I can wait until the other comes up, but thank you for
24 the offer.

25 BY COMMISSIONER GAW:

1 Q. And, again, when -- this discussion that we
2 were just having is an evaluation of what was actually done
3 or an evaluation of what would have occurred under Staff's
4 calculation in Table 13?

5 A. It is what the company actually planned.

6 Q. I guess what I'm asking you is what numbers
7 come up under the scenario that you developed in 13 as the
8 amount or percentage of hedge each month?

9 A. Schedule 13 was intended to address the
10 operational reliability issues related to storage.

11 Q. I understand.

12 A. I didn't do that calculation.

13 Q. So that calculation -- we don't know what
14 those figures would be?

15 A. No. I mean they could be calculated.

16 COMMISSIONER GAW: Mr. Duffy, if I could ask
17 you if that's something that you did in your --

18 MR. DUFFY: No. That's not an issue in this
19 proceeding according to the issue list, as far as I
20 understand.

21 COMMISSIONER GAW: I'm just trying to
22 understand what might be coming forth.

23 MR. DUFFY: We did not do that calculation is
24 my understanding.

25 COMMISSIONER GAW: Okay.

1 BY COMMISSIONER GAW:

2 Q. Is that difficult to do that calculation?

3 A. No. You'd simply take the Column H numbers

4 which show the difference between the planned hedge and that

5 30 percent minimum number times Column L -- well, wait a

6 minute. This is their plan. You're saying my numbers. No.

7 You'd have to take the numbers from my Schedule 13 --

8 Q. Right.

9 A. -- and then multiply it by the numbers in

10 Column L.

11 Q. Do you have time to do that later today?

12 A. (Witness nodded head.)

13 Q. If it's not too big of a deal to do it, I

14 would like to see it.

15 A. Okay.

16 COMMISSIONER GAW: That's all I have, Judge.

17 Thank you.

18 JUDGE WOODRUFF: All right. Go ahead,

19 Commissioner Murray.

20 FURTHER QUESTIONS BY COMMISSIONER MURRAY:

21 Q. Ms. Jenkins, when you finish making your notes

22 there, I want to ask you something.

23 A. Okay. Okay.

24 Q. Would it be possible for you to calculate what

25 Staff would consider appropriate storage withdrawals based

1 upon normal heating degree days beginning with the month of
2 November and making the adjustments for the actual change in
3 storage levels to come up with what you would calculate as
4 damages but beginning with normal instead of warmer?

5 A. For the storage adjustment? It would take
6 some time to figure out how to factor in assumptions like if
7 you were going to plan for normal storage and, thus, your
8 flowing is extremely low at the first of the month. How do
9 you factor in how you would make adjustments for swing or
10 spot gas? And I would really have to think about how to do
11 that. I just -- I can't think how you would do that in a
12 spreadsheet like Excel.

13 MR. DUFFY: Your Honor, I might just inject
14 that what we attempted to show in Exhibit 25-HC is exactly
15 what the Commissioner has just asked the witness for.

16 THE WITNESS: It does not show how spot and
17 swing would be considered.

18 BY COMMISSIONER MURRAY:

19 Q. Well, this is a highly confidential document.
20 Without stating numbers, would you point out where you would
21 have made those adjustments had you done so on this
22 document?

23 A. I probably would have started from scratch, to
24 begin with. You'd almost have to develop another table that
25 says when the weather turns out not to be the warmest month,

1 how do you start making adjustments for flowing and spot and
2 then how does that affect your storage. I just -- you know,
3 without really thinking about it, I don't know how I would
4 do that.

5 Q. But with your original calculations, you were
6 basing it on warmer than normal. Correct?

7 A. Yes.

8 Q. And that didn't turn out to be the case
9 either; is that correct?

10 A. Correct. But the company did bring on some
11 swing or spot supplies, for example, in the month of
12 December. And as I'm working through that calculation for
13 where storage ended up versus where you expected it to be
14 up, it would have considered that.

15 Q. And why couldn't you do the same thing
16 beginning with normal?

17 A. Because if you begin with normal, you're
18 not -- you have to then immediately assume that when the
19 weather approaches that beyond normal, meaning it's colder
20 than normal, you have to immediately then assume that you're
21 going to have to bring on swing and spot supplies. And, for
22 example, in the month of November, they didn't do that.

23 Q. But couldn't you make adjustments in your
24 calculations based upon what they actually did?

25 A. I don't know how I'd make those assumptions

1 for the month of November since they didn't actually bring
2 on any swing or spot supplies in the month of November.

3 Q. So where would that leave you for the month of
4 December?

5 A. December they did bring on spot and flowing.
6 And, therefore, since my calculations consider it, it's sort
7 of built in there. So my real difficulty is with the month
8 of November and how they would have done all that if they'd
9 assumed they were going to use normals in that month.

10 COMMISSIONER MURRAY: Okay. Thank you, Judge.

11 JUDGE WOODRUFF: All right. Thank you. It's
12 almost lunchtime so we're going to break now before we go
13 back to recross. We'll break and come back at 1:30. Thank
14 you.

15 (A RECESS WAS TAKEN.)

16 JUDGE WOODRUFF: Just before we went back on
17 the record, I had a discussion with counsel for MGE and for
18 Staff. And apparently there's been some number crunching
19 going on over the week -- or over the lunch hour and the
20 parties would like the chance to discuss that for a few
21 moments.

22 Therefore, we're going to adjourn until
23 two o'clock, at which time we'll come back here and the
24 parties will inform me if any further time is needed. We're
25 off the record.

1 (A RECESS WAS TAKEN.)

2 JUDGE WOODRUFF: All right. We're on the
3 record again. And it's been reported that the Staff is
4 considering these matters further and requested that we come
5 back in another half hour at 2:30 for an update. And that's
6 what we're going to do. We're adjourned again until 2:30.

7 (A RECESS WAS TAKEN.)

8 JUDGE WOODRUFF: All right. We're back on the
9 Internet and we're back after lunch.

10 Mr. Duffy, do you want to explain, as much as
11 you can, what happened?

12 MR. DUFFY: Sure. Over the lunch break,
13 Missouri Gas Energy people discovered what they consider to
14 be a mistake. And it probably is best characterized as
15 perhaps a mutual mistake, at least from our standpoint. At
16 this point I'm not speaking for the Staff or trying to
17 represent what the Staff's position is.

18 We brought that to their attention and we
19 requested approximately an hour to explain that to them and
20 to see if we could come to some kind of resolution to deal
21 with what we perceived to be a mutual mistake.

22 And the resolution at this point is that there
23 is no formal resolution that I can hand to you at this
24 point. The resolution is we're going to go ahead and
25 proceed and we'll try to develop the situation as we have

1 discovered it when we have the opportunity to do recross
2 based on questions from the Bench.

3 JUDGE WOODRUFF: All right. Very good.

4 MR. DUFFY: Is that fair, Tim?

5 MR. SCHWARZ: I think that's fair.

6 JUDGE WOODRUFF: All right. Let's go ahead
7 and proceed, then.

8 Ms. Jenkins is still on the stand from this
9 morning. And before I let you go to recross, Commissioner
10 Gaw asked me to inquire into one more area for him. He's
11 tied up in a conference call at the moment.

12 QUESTIONS BY JUDGE WOODRUFF:

13 Q. And what he's concerned about is it's
14 apparently MGE's position that they couldn't nominate large
15 amounts of flowing gas at the beginning of November because
16 of the concern that there would be warm days in November
17 during which they would not be able to find a use for some
18 of the gas that they would obtain.

19 So they were going to be nominating a limited
20 amount of gas less than what you thought they should based
21 on that concern. The concern would be that, say, the first
22 week in November you have a couple of 75 degree days, what
23 do you do with the excess gas.

24 His question to you was, does Staff believe
25 that it's a legitimate concern? And how would Staff suggest

1 MGE deal with that problem?

2 A. MGE has the ability to inject additional gas
3 into storage. Even though they had put some into an
4 interruptible contract, they still had some availability
5 among their various storage contracts to be able to inject.

6 The other thing I have said and it's in my
7 Surrebuttal, that if they could actually provide data to
8 support that, certainly then having less first of the month
9 just to address, say, those first two weeks seems
10 reasonable. But the expectation would be that why wouldn't
11 they have brought on more flowing gas, spot or swing, as
12 that month turned out to be extremely cold.

13 Q. Okay. Now, that month in November of 2000 the
14 gas prices were also very high, were they not?

15 A. That's my recollection.

16 Q. Is that a problem with getting spot gas at
17 that point, and does your calculation take that into
18 account?

19 A. The calculation -- well, the way it is now, it
20 would have been the higher first -- the warmest month first
21 of the month. If they had given me data to convince me that
22 a lower number was reasonable, then I would have had to
23 figure out how to factor in bringing on that additional
24 swing or spot because they didn't bring on additional swing
25 or spot. And so the way it's set up now, no, it doesn't do

1 that because I didn't get that information.

2 JUDGE WOODRUFF: Okay. Well, that's all the

3 questions that the Commissioner had.

4 At this point then we'll go over to recross

5 and beginning with City of Joplin is not here.

6 Public Counsel?

7 MR. MICHEEL: No questions, your Honor.

8 JUDGE WOODRUFF: KPC?

9 MR. KEEVIL: No questions.

10 JUDGE WOODRUFF: MGE?

11 MR. DUFFY: Yes.

12 RE CROSS-EXAMINATION BY MR. DUFFY:

13 Q. Okay. Ms. Jenkins, you were asked some

14 questions by Commissioner Murray. And the general topic was

15 this problem of warmest month, flowing gas, what do you do

16 with the gas if you can't inject it into storage. And I

17 want to go back and start with some elemental numbers that

18 are the premise of perhaps the difference between where we

19 are and where you are.

20 Let's see. I want you to look at

21 Schedule 13-3, I believe and, in particular, in Table 3-5 at

22 line 124, Column C. Are you there?

23 A. Yes.

24 MR. DUFFY: Okay. This is a highly

25 confidential number so, unfortunately, we need to go

1 in-camera.

2 JUDGE WOODRUFF: Okay. At this time we will
3 go back in-camera. Anyone who doesn't need to be here or
4 should not be here, please leave.

5 (REPORTER'S NOTE: At this time, an in-camera
6 session was held, which is contained in Volume No. 7, pages
7 546 through 570 of the transcript.)

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