

1 A Yes, there was.

2 Q What about small general service?

3 A Yes, it was.

4 Q Large general service?

5 A Yes, there was.

6 Q And large volume service class?

7 A Yes.

8 Q So you sponsored -- is that all of
9 MGE's classes of customers?

10 A Yes.

11 Q So you sponsored a weather
12 adjustment for all of them?

13 A Yes, I did.

14 Q Do you know if Staff also proposed a
15 weather adjustment for all classes of customers?

16 A Yes, they did.

17 Q Did you say yes, they did?

18 A Yes.

19 Q I just didn't hear you. Thank you.

20 Has there been an agreement between
21 the Staff and Company regarding revenues that
22 included the adjustment for weather?

23 A That was part of the settlement of
24 revenues, the proposed settlement of revenues,
25 yes.

1 Q That has been filed with the
2 Commission, correct?

3 A Yes.

4 Q If we could look at exhibits -- I'm
5 sorry, Exhibit 604?

6 A I'm there.

7 Q Does that include the monthly
8 volumes of flex rate customers?

9 A The total -- are we speaking to the
10 total of approximately 240 million?

11 Q Yes.

12 A No, it does not. And the reason for
13 that is we are --

14 Q Excuse me. Would you explain what a
15 flex rate customer is?

16 A The Company has the capability to
17 adjust their rates downward in response to bypass
18 situations, and currently I think there is --
19 there are, excuse me, two customers, one who has
20 two locations, one a single location, that are the
21 remaining flex rate customers.

22 Q Do you consider flex rate customers
23 to be similarly situated to other large volume
24 service customers?

25 A Certainly. And in that cost of

1 service study, we've treated them in that manner.

2 Q Dr. Cummings, let's make an
3 assumption just for this question. If the
4 Commission decides that it would be reasonable to
5 reduce MGE's volumetric risk, in other words, its
6 weather risk, would you agree that an increase in
7 the monthly customer charge would be the most
8 direct method to do that?

9 A Not necessarily. I mean, if the
10 goal were to reduce weather risk, either a weather
11 mitigation design or weather normalization clause
12 will do much more to achieve that purpose.

13 Q Is it direct?

14 A I'm not sure what you mean by the
15 word direct.

16 Q Is it perhaps easiest for customers
17 to understand, to determine what that charge is
18 for?

19 A Not necessarily. I mean, I -- my
20 experience is that customers don't have a
21 difficulty understanding a weather clause, for
22 example.

23 Q Do they have difficulty
24 understanding their monthly customer charge?

25 A Some may.

1 Q Do you know how many calls MGE gets
2 to discuss those things?

3 A I do not.

4 MS. SHEMWELL: That's all I have.
5 Thank you.

6 JUDGE WOODRUFF: I thank you. I
7 have no questions from the bench, so no recross.
8 Any redirect?

9 REDIRECT EXAMINATION BY MR. HACK:

10 Q Turning to Exhibit 604.

11 A Yes.

12 Q Why are flex volumes not included in
13 the 240 million unit number shown towards the
14 middle of that page?

15 A As labeled, this is an LVS rate
16 design work paper, and we're designing rates for
17 those -- those customers that are not on a special
18 contract, i.e., the customers who are not flex
19 customers. So those volumes need to be excluded
20 and treated separately.

21 Q Do you recall how many flex
22 customers Missouri Gas Energy has?

23 A There's two customers. One has two
24 locations.

25 Q Regarding electronic gas measurement

1 equipment, EGM? Do you know whether a customer
2 who is a transportation customer and who has been
3 a transportation customer for some time would need
4 to pay for the costs of a new EGM unit to the
5 extent one became necessary?

6 A My reading of the tariff is you can
7 apply that charge one time. So if there were a
8 need to replace that meter, I presume it would be
9 at the Company's expense.

10 MR. HACK: Thank you very much.

11 JUDGE WOODRUFF: Thank you, Mr.
12 Cummings. You can step down.

13 Next name on my list is Mr.
14 Johnstone for Jackson County and MGUA. Please
15 raise your right hand.

16 (witness sworn.)

17 JUDGE WOODRUFF: You may be seated.

18 DONALD JOHNSTONE, testified as follows:

19 DIRECT EXAMINATION BY MR. FINNEGAN:

20 Q Would you state your name, please?

21 A Donald Johnstone.

22 Q And by whom are you employed?

23 A Competitive Energy Dynamics, L.L.C.

24 Q And have you caused to be filed in
25 this case a -- the rebuttal testimony of Donald E.

1 Johnstone on behalf of Central Missouri State
2 University, Midwest Gas Users Association, and the
3 University of Missouri at Kansas City?

4 A Yes, I have.

5 Q And do you have that rebuttal
6 testimony before you?

7 A Yes.

8 Q If I were to ask you -- are there
9 any changes to be made in this?

10 A No.

11 Q If I were to ask you the questions
12 contained herein, would your answers be the same
13 at this time?

14 A Yes.

15 Q Okay. And this was prepared by you
16 and under your supervision and control?

17 A Yes.

18 MR. FINNEGAN: At this point I'd
19 like to offer into evidence Exhibit 600.

20 JUDGE WOODRUFF: Are there any
21 objections to its receipt? Hearing none, it will
22 be received into evidence.

23 MR. FINNEGAN: I tender Mr.
24 Johnstone for examination.

25 JUDGE WOODRUFF: All right. Kansas

1 City and Joplin are not here. Federal Agencies?

2 CROSS EXAMINATION BY MAJOR PAULSON:

3 Q Good morning, sir. Just have a
4 couple questions for you. Mr. Price testified in
5 his prefile testimony that gas inventory costs and
6 the gas portion of cash, working capital, should
7 not be included in the costs attributed to LVS
8 transportation customers. Do you agree with that
9 statement?

10 A Yes, I do.

11 Q Are there any other gas supply costs
12 that, in your opinion, are being improperly
13 attributed to transportation -- to LVS
14 transportation customers, and if so, what are
15 those costs?

16 A Well, there is the cost associated
17 with gas supply acquisition and planning, and as I
18 understand it, those were a part of the A and G
19 expense and really haven't been broken out. So
20 that's a topic that needs further investigation.

21 MAJOR PAULSON: That concludes my
22 questions.

23 JUDGE WOODRUFF: All right. Thank
24 you. MGE?

25 MR. HACK: No questions.

1 JUDGE WOODRUFF: Staff?

2 CROSS EXAMINATION BY MR. SCHWARZ:

3 Q Mr. Johnstone, assume for me, if you
4 would, that the Commission decides to reduce MGE's
5 volumetric risk exposure. Would you agree that an
6 increase in the monthly customer charge would be
7 the easiest to implement -- or the easier to
8 implement as opposed to a weather normalization
9 clause?

10 A Certainly would be easier to
11 administer, I believe, if that's your question.

12 Q That is my question. Do you think
13 it might be easier to explain to, say, residential
14 customers?

15 A I'd say it may or may not be. My
16 experience is that residential customers often
17 have a lot of heartburn with the concept of this
18 charge that doesn't have gas associated with it.
19 A customer charge, in other words.

20 Q But would it be easier to explain
21 that these -- there are costs that don't fluctuate
22 with the amount of gas that you use and that's
23 what your customer charge's for, or would it be
24 easier to explain the calculations of a weather
25 mitigation clause?

1 MR. HACK: Objection, calls for
2 speculation.

3 MR. SCHWARZ: I asked if it would be
4 easier to explain. How would he --

5 JUDGE WOODRUFF: I'll sustain the
6 objection.

7 Q (By Mr. Schwarz) Would your
8 explanation to an inquiring residential customer
9 be simpler if you were explaining a -- the basis
10 of a monthly customer charge or a weather
11 mitigation -- the operation of a weather
12 mitigation clause?

13 A Assuming the goal is to provide a
14 satisfactory explanation in the eyes of the
15 customer, not necessarily. I mean, obviously it's
16 easy to say the words, this is just a customer
17 charge. But having the customer accept that as a
18 reasonable explanation I think is the difficult
19 part.

20 Q Would you explain for me now the
21 operation of MGE's proposed weather mitigation
22 clause?

23 A I have to tell you I have not
24 reviewed it.

25 MR. SCHWARZ: Thank you. That's

1 all.

2 JUDGE WOODRUFF: Thank you. For
3 Public Counsel?

4 MR. MICHEEL: I have no questions
5 for Mr. Johnstone today.

6 JUDGE WOODRUFF: All right. I have
7 no questions from the bench, so no recross. Any
8 redirect?

9 MR. FINNEGAN: No, Your Honor.

10 JUDGE WOODRUFF: All right. Then
11 Mr. Johnstone, you can step down, and you can be
12 excused if you need to be on your way.

13 THE WITNESS: Thank you.

14 JUDGE WOODRUFF: Next, then, is Mr.
15 Price for Federal Agencies.

16 (Witness sworn.)

17 JUDGE WOODRUFF: You may be seated,
18 and you may inquire.

19 GARY C. PRICE, testified as follows:

20 DIRECT EXAMINATION BY MAJOR PAULSON:

21 Q Please state your name for the
22 record.

23 A My name is Gary C. Price.

24 Q Have you ever testified in the past
25 before the Missouri Commission?

1 A No, I have not.

2 Q For what commissions have you
3 testified?

4 A Texas Commission, the Commission in
5 Wisconsin, Public Service Commission in Wisconsin,
6 Florida, and Minnesota.

7 Q How about the Federal Energy
8 Regulatory Commission?

9 A And many times before the FERC.

10 Q And have you presented cost of
11 service testimony before those Commissions?

12 A Yes, I have.

13 Q Did you prepare rebuttal testimony
14 on cost of service which was filed on May 24th,
15 2004, and that is marked as Exhibit 500?

16 A Yes, I did.

17 Q Do you have any changes to that
18 testimony?

19 A Yes. On page 1 of the testimony,
20 line 9, the second word "more" should be stricken.

21 MAJOR PAULSON: Judge, can he go
22 ahead and make that change?

23 JUDGE WOODRUFF: Yes.

24 Q (By Major Paulson) Go ahead and
25 make that change.

1 A That's it.

2 Q And with that change, is your
3 testimony true to the best of your knowledge and
4 belief?

5 A Yes, it is.

6 MAJOR PAULSON: I offer Exhibit 500,
7 Your Honor.

8 JUDGE WOODRUFF: All right.

9 MAJOR PAULSON: May I approach the
10 witness?

11 JUDGE WOODRUFF: You may. Exhibit
12 500 has been offered into evidence. Are there any
13 objections to its receipt? Hearing none, I enter
14 the evidence.

15 MAJOR PAULSON: I tender the
16 witness.

17 JUDGE WOODRUFF: Beginning with
18 Jackson County? Or Midwest Gas?

19 MR. CONRAD: No questions, Your
20 Honor.

21 JUDGE WOODRUFF: All right. Now
22 Jackson County.

23 MR. FINNEGAN: No questions, Your
24 Honor.

25 JUDGE WOODRUFF: All right. Kansas

1 City and Joplin are not here. For Staff?

2 MR. SCHWARZ: No questions, Your
3 Honor.

4 JUDGE WOODRUFF: Public Counsel?

5 MR. MICHEEL: Yes, Your Honor. Just
6 a couple.

7 CROSS EXAMINATION BY MR. MICHEEL:

8 Q Mr. Price, would you agree with me
9 that cost of service studies should generally be
10 used as a guide?

11 A Yes.

12 Q Also in your rebuttal testimony and
13 at page 10, you indicate that Public Counsel's
14 method has been rejected by the Commission. Is
15 that correct?

16 A That's my understanding, yes.

17 Q And what's that understanding based
18 upon?

19 A Based on my review of the
20 Commission's order in GR-96-285.

21 Q Okay. Based on your review in
22 GR-96-285. So you've reviewed that report and
23 order. Is that correct?

24 A Generally, yes.

25 MR. MICHEEL: Okay. May I approach

1 the witness? I have a copy of that order.

2 JUDGE WOODRUFF: You may.

3 Q (By Mr. Micheel) Mr. Price, I'm
4 handing you a copy of the report and order in
5 GR-96-285. I'm turning you to a page that says
6 stipulation agreement on cost of service and
7 related revenue, and just ask if you would read
8 that and then I want to ask you numerous questions
9 about that. If you'll let me know when you're
10 finished?

11 MAJOR PAULSON: Your Honor, may I
12 know the date of that order?

13 JUDGE WOODRUFF: Can you indicate
14 the date of the order?

15 MR. MICHEEL: It's on the order.
16 It's sometime -- it's the initial order in the
17 case.

18 JUDGE WOODRUFF: Can you tell us
19 what the date of the order is?

20 THE WITNESS: On the front cover
21 it's decided the -- January 22, 1997.

22 JUDGE WOODRUFF: Okay.

23 Q (By Mr. Micheel) And does that --
24 does that order indicate, sir, that there was a
25 stipulation agreement entered into in that case?

1 A I haven't read the entire thing yet,
2 but yes, that's what the heading appears to say.

3 Q And does that order indicate that
4 the Commission rejected that stipulation agreement
5 and ordered that equal percentages be included?

6 A As I said, I haven't read the whole
7 thing yet. Is there a particular place --

8 Q Let me know when you're done reading
9 it. It's only a couple pages. With respect to
10 the class cost of service portion. I won't make
11 you read the whole thing unless you think I'm
12 misleading you in some way.

13 A Now, what was your question?

14 Q My question is, was -- first of all,
15 my question is, isn't it correct that there was a
16 stipulation and agreement with respect to class
17 cost of service and rate design in Case No.
18 GR-96-285?

19 A There appears to be according to the
20 document you showed me, but what I reviewed is, I
21 believe, a document that the Commission ordered in
22 February 2001 on remand.

23 Q Let me just start at the beginning
24 and we'll get to that document. Okay?

25 And does that indicate that the

1 Commission rejected that stipulation and
2 agreement? And ordered an equal percentage
3 increase?

4 A It says that the Commission shall
5 reject the stipulation and agreement and finds
6 that the revenue requirement increase shall be
7 allocated among the customer classes on the same
8 as current revenues.

9 Q And -- and you're aware, are you
10 not, sir, that that case was appealed?

11 A Yes.

12 Q And indeed, there was a remand order
13 in that case; is that correct?

14 A Yes.

15 Q And in the remand order, isn't it
16 correct that the Commission once again ordered an
17 equal percentage?

18 A I believe that's true, but they did
19 comment on the various positions of the parties.

20 Q And no party was saying an equal
21 percentage, were they, in that case, Mr. Price?

22 A I don't recall what all the
23 positions were. In that case.

24 Q And so is it your testimony that
25 that remand order doesn't comment on that?

1 A Doesn't comment on what?

2 Q What the parties' positions were and
3 if any party had an equal percentage position.

4 A It may, but my review and my
5 recollection of this document goes to the
6 specifics of the cost of service treatment of
7 various items of the parties.

8 Q And is it correct that essentially
9 the Commission in the remand case took none of the
10 cost of service studies that were offered? Not
11 just Public Counsel's, but all of the parties'
12 cost of service studies?

13 A That may be the case, but they did
14 specifically state what they agreed or not agreed
15 to, certain allocation methodologies.

16 Q And so just so we can be clear, the
17 result in that case was that the Commission
18 accepted no one's cost of service study; isn't
19 that correct?

20 A The result was an equal percentage
21 increase; however, the Commission did make quite
22 clear its position on some of the specific cost of
23 service adjustments presented by the parties.

24 MR. MICHEEL: That's all I have.
25 Thank you, Your Honor.

1 JUDGE WOODRUFF: Thank you. I
2 believe I skipped over MGE before. Did you have
3 any questions?

4 MR. HACK: No.

5 JUDGE WOODRUFF: Thank you. All
6 right. I have no questions from the bench. So
7 there will be no recross. Any redirect?

8 REDIRECT EXAMINATION BY MAJOR PAULSON:

9 Q Is the Public Counsel recommending
10 an equal percentage increase in this case?

11 A No.

12 Q I have -- I would like to show you
13 part of the Commission's decision in Case
14 GR-96-285, decided February 1st, 2001, at 10
15 Missouri PSC 3rd, page 27.

16 MAJOR PAULSON: May I approach the
17 witness, Your Honor?

18 JUDGE WOODRUFF: You may.

19 Q (By Major Paulson) Mr. Price, what
20 -- what did the Commission in that decision say
21 about the Office of Public Counsel's RSUM method?

22 A The document reads that application
23 of Public Counsel's modified RSUM method of
24 allocating costs of distribution mains results in
25 an over allocation of costs to the LVS customers.

1 The impact of the cost allocated to the
2 distribution mains is directly proportional to the
3 allocators as shown in the following table.

4 MAJOR PAULSON: Thank you. I have
5 no further questions, Your Honor.

6 JUDGE WOODRUFF: All right. Thank
7 you. And Mr. Price, you can step down and you are
8 excused.

9 THE WITNESS: Thank you, sir.

10 JUDGE WOODRUFF: Next name on the
11 list, then, is Jim Busch for Public Counsel.

12 MR. MICHEEL: We would call Jim
13 Busch, Your Honor.

14 JUDGE WOODRUFF: Thank you. And Mr.
15 Busch, you have previously testified so you are
16 still under oath.

17 MR. BUSCH: Yes.

18 MR. MICHEEL: And Your Honor, Mr.
19 Busch is going to have an errata sheet to one of
20 his testimonies, and I'd like to get that marked
21 as an exhibit and passed out. It would be Exhibit
22 232, Your Honor.

23 JUDGE WOODRUFF: That is correct.

24 (Exhibit 232 marked for
25 identification.)

1 (Witness previously sworn.)

2 JAMES BUSCH, testified as follows:

3 DIRECT EXAMINATION BY MR. MICHEEL:

4 Q Mr. Busch, have you caused to be
5 filed your direct rate design testimony which has
6 been marked as -- for purposes of identification
7 as Exhibit 212?

8 A Yes, I have.

9 Q And have you caused to be filed your
10 rebuttal testimony in this case, which has been
11 marked for purposes of identification as Exhibit
12 213?

13 A Yes, I have.

14 Q And have you caused to be filed your
15 surrebuttal testimony which has been marked as
16 Exhibits 214 NP and HC?

17 A Yes, I have.

18 Q And do you have any corrections that
19 you need to make to any of those exhibits?

20 A Yes, I do, to my direct testimony.
21 I use an allocator that was developed by MGE
22 Witness Dr. Cummings, and that was pointed out in
23 the rebuttal testimonies of Witnesses Price and
24 Johnstone that he had made an error and he had
25 corrected that error in surrebuttal; therefore, I

1 have now corrected that, and thus I have a new
2 Schedule JAB-RD2 which shows the new class revenue
3 responsibilities.

4 Q And has that been marked for
5 purposes of identification as Exhibit 232?

6 A That is correct.

7 Q And then do you have some
8 corrections that you need to make to the body of
9 your testimony as a result of that new schedule,
10 Exhibit 232?

11 A Yes, I do. In my direct testimony
12 on page 10, Table 1, the residential class shifts
13 should now be a negative 5,200,615. For the SGS
14 class it has now become a negative 2,090,543.
15 That's two zero nine zero five four three.

16 The large general service number
17 drops to negative 900,394, nine zero zero three
18 nine four. And the large volume service class
19 shift falls to 8,191,551.

20 Then the percentage changes for the
21 residential class is now a negative 5.3 percent,
22 SGS is negative 7.42 percent, large general
23 service is negative 32.17 percent, and the large
24 volume service is 76.26 percent.

25 Then on line 19 where it says

1 receive a decrease of, that should now read 5.3
2 percent; and on line 20, that 80.93 should now be
3 76.26, which corresponds to my updated table.

4 Q Any other changes, corrections, or
5 additions that you need to make?

6 A Not that I'm aware.

7 Q If I asked you those questions today
8 in your direct rebuttal and surrebuttal with
9 respect to rate design and class cost of the
10 service, would your answers be the same?

11 A Yes, sir, they would.

12 MR. MICHEEL: With that, Your Honor,
13 I would move the admission of Exhibits 212, 213,
14 214 NP, HC, and Exhibit 232, and tender Mr. Busch
15 for cross examination.

16 JUDGE WOODRUFF: All right. 212,
17 213, 214 NP and HC, and 232 have been offered into
18 evidence. Any objections to their receipt?

19 Hearing none, they will be received into evidence.

20 Okay. For cross examination, we
21 begin with Staff.

22 MR. SCHWARZ: No questions, Your
23 Honor.

24 JUDGE WOODRUFF: Kansas City and
25 Joplin are not here. Federal Agencies?

1 CROSS EXAMINATION BY MAJOR PAULSON:

2 Q Good morning, Mr. Busch.

3 A Good morning, sir.

4 Q How are you today?

5 A Oh, I'm doing okay. How are you
6 doing?

7 Q I'm all right. I have some
8 questions for you about this RSUM methodology. My
9 review of cases indicates that you've presented it
10 in every MGE case filed since 1996. Is that
11 correct?

12 A That I have presented it?

13 Q Well, the Office of Public Counsel's
14 presented it.

15 A It is my understanding that this is
16 the methodology that the Office of Public Counsel
17 has utilized in those cases.

18 Q Has the methodology -- have you
19 changed it at all during the course of your use of
20 that methodology, to the best of your knowledge?

21 A Have I changed it?

22 Q Well, let's make it a two-part
23 question. Yeah, have you -- have you changed in
24 how you -- have you changed the actual methodology
25 itself since you've been using it?

1 A I don't believe so.

2 Q How long have you been using it?

3 A I started presenting mains
4 allocators just a couple of cases ago.

5 Q Are you aware of whether or not --
6 well, when -- when did you start working at the
7 Office of Public Counsel?

8 A I believe my employment started in
9 September of '99, I believe.

10 Q Are you aware of whether or not the
11 Office of Public Counsel has changed the
12 methodology at all since they've started using it?

13 A Since it was -- the RSUM was
14 originally proposed by Charles Laderoute in '88
15 and then modified by Dr. Philip Thompson, I think
16 the methodology has been pretty consistent.

17 Q Speaking of Charles Laderoute; is
18 that how it's pronounced?

19 A L-a-d-e-r-o-u-t-i [sic].

20 Q Are you aware that he testified
21 before the Michigan Commission in 1990, and the --
22 and he testified about his RSUM methodology and
23 the Michigan Commission actually rejected the use
24 of that methodology? Were you aware of that in
25 developing your testimony?

1 A I became aware as I was reading Mr.
2 Laderoute's article that he had presented it, I
3 think, to the Michigan Commission. I did not
4 check the order that it was rejected by the
5 Michigan Commission.

6 Q In fact, were you aware that the
7 RSUM methodology has been rejected multiple times
8 by the Michigan Commission? I count three or four
9 times.

10 A I am not aware of that.

11 Q Were you involved in GR-96-285?

12 A I was not.

13 Q Are you familiar with the order the
14 Commission issued in that case on February 1,
15 2001?

16 A I have read various orders from that
17 case. The exact dates, I don't recall.

18 Q On page 18 -- excuse me. On the
19 bottom of page 19 and the top of page 20 of that
20 decision, the Commission issued some specific
21 criticisms of the RSUM methodology, and among the
22 things they stated is that the estimated cost
23 curve did not take into account the fact that some
24 costs are not related to capacity.

25 As -- to your knowledge, does your

1 estimated cost curve now take into the fact --
2 into account the fact that some costs are related
3 to capacity, or is it your testimony you're using
4 the same estimated cost curve now that was used in
5 the '96 case? Or do you know?

6 A To the best of my knowledge, I
7 believe we are utilizing the same methodology from
8 the '96 case.

9 Q The decision also says that Public
10 Counsel's estimated cost curve also failed to
11 account for the fact that for each diameter of
12 main which makes up MGE's distribution system, the
13 lengths vary significantly.

14 Have you changed -- to your
15 knowledge, has the methodology been changed to
16 account for that problem? Since '96?

17 A Could you reread that problem?

18 Q Public Counsel's estimated cost
19 curve also failed to account for the fact that for
20 each diameter of main which makes up MGE's
21 distribution system, the lengths vary
22 significantly.

23 A Not to my knowledge, I haven't
24 altered that.

25 Q The decision goes on to say that

1 costs of mains that do not vary with the size of
2 pipe being installed include costs related to
3 right-of-way, digging the trenches, laying the
4 pipe, restoring the surface to its original
5 condition, and connecting service lines to the
6 main. Excuse me. You know what? I'll strike
7 that. Just strike that.

8 Are you aware in preparing your
9 testimony that the New York Commission in 1994
10 rejected the RSUM methodology?

11 A No, I am not.

12 Q Were you aware that in the 2001
13 GR-96-285 decision issued in 2001, that the
14 Commission stated that application of Public
15 Counsel's modified RSUM method of allocating costs
16 of distribution mains results in over allocation
17 of cost to LVS customers? Were you aware of that
18 statement by the Commission?

19 A Not when I did my study, no. I
20 mean, I might have read that in the past, but it
21 wasn't on my mind when I filed my testimony.

22 Q Okay. Mr. Busch, did the Company
23 design its system to provide a service customers
24 do not use?

25 A No, I don't believe they -- no.

1 Q Should customers pay for a service
2 they do not use?

3 A I would not -- yeah, I don't think
4 they should.

5 Q In your surrebuttal, at the bottom
6 of page 3 and the top of page 4, you stated that
7 transportation customers could receive more than
8 nominated gas. In making this statement, were you
9 aware that that would be a non-firm transaction
10 and would not be considered when designing mains?

11 A That that would be a non-firm
12 transaction?

13 Q Yes. For LVS transportation
14 customers, that would be a non-firm transaction.

15 A And it would not be taken into
16 account by the designers of the system?

17 Q Yes. Since it's non-firm, it
18 shouldn't be taken into account when designing the
19 system.

20 A I'm not aware that MGE treated their
21 system on the basis of having transportation only
22 customers. So I don't know that I can agree with
23 that.

24 Q So they should design their system
25 to include non-firm services?

1 A I think their system is set up, or

2 --

3 Q I'm asking you if they should.

4 A I think they have to build their
5 system to account for all natural gas that is
6 being transported on that system to their
7 customers. And that would include the
8 distribution of natural gas to their -- to the
9 transportation customers. So they have to take
10 into account that -- those transportation -- that
11 sales volume. That volume of natural gas.

12 Q But should they assume that
13 transportation customers are going to use a
14 certain amount of natural gas when transportation
15 customers themselves aren't planning on using the
16 amount of gas that they're assuming they'll use?

17 A Not being an engineer, I wouldn't
18 know what they should assume.

19 MAJOR PAULSON: I have no further
20 questions.

21 JUDGE WOODRUFF: All right. Midwest
22 Gas?

23 MR. CONRAD: Thank you, Your Honor.

24 CROSS EXAMINATION BY MR. CONRAD:

25 Q Good morning, Mr. Busch.

1 A Good morning, Mr. Conrad.

2 Q Just to quickly follow up on a
3 couple of things, I noticed in your direct
4 testimony a schedule, I believe it was JAB-1?
5 Lists one case --

6 A Are you referring to my direct from
7 my revenue requirement testimony?

8 Q I think it is revenue, yes, that I'm
9 looking at. I apologize.

10 A I don't have that with me right now.
11 MR. CONRAD: Okay. May I approach?
12 JUDGE WOODRUFF: You may.

13 Q (By Mr. Conrad) Mr. Busch, I have
14 it all together, but I'll just show you.

15 A Okay.

16 Q Mr. Busch, I do note there that
17 there is a Missouri Gas Energy Case GR-2001-292?

18 A That is correct.

19 Q Do you recall what issues you
20 testified on in that case?

21 A I believe I filed testimony in the
22 revenue requirement dealing with capacity release
23 and also some sales revenues, and I believe I had
24 something to do with the cost of service study. I
25 can't remember if I actually sponsored that in my

1 testimony or if I just did the main services and
2 regulators allocators. But I did not do the mains
3 allocator.

4 Q Do you remember -- you -- excuse me.
5 Strike that.

6 You mentioned earlier in cross
7 examination with the Major of the name of Charles
8 Laderoute?

9 A Yes, I did.

10 Q That was in that 2001-292 case,
11 wasn't it?

12 A I believe Mr. Laderoute, forgive me,
13 sir, if I pronounce your name wrong, I believe he
14 did file testimony on -- I think it was on behalf
15 of your clients, if I remember correctly.

16 Q Yeah. And do you remember -- happen
17 to remember that testimony, if he had any comments
18 on Public Counsel's use of his method?

19 A I think he did, but I don't remember
20 what his comments were. It wasn't my issue.

21 Q Now, if I could, sir, let me turn
22 you -- or ask you to turn to your surrebuttal on
23 class cost of service rate design.

24 A Okay.

25 Q And I'm looking at your surrebuttal

1 page 22, and line 17, which is your summary.

2 A Yes.

3 Q Summary, I believe, of the
4 methodology I used to allocation main's cost is
5 the best way to appropriate recovery for each
6 class based on cost causation principles. Did I
7 read that correctly?

8 A I think you did.

9 Q I think you agree with the principle
10 that the class that causes the cost should pay
11 that cost?

12 A Yeah, I agree with that general
13 proposition.

14 Q Now, elsewhere in your surrebuttal,
15 actually, back on page 3, there is an indication I
16 take, lines 22 and 23, that there are LVS
17 customers that are also sales customers. You see
18 that?

19 A On 22 and 23?

20 Q Well, on -- actually, I think in the
21 Q and A that begins on line 16 and carries down
22 through the bottom of the page, Mr. Busch, if you
23 want to take a moment and read the whole thing.

24 A Yeah, lines 20, 21, can either the
25 transportation customer or sales customer?

1 Q Mm-hmm.

2 A Yeah. Is that what you're referring
3 to, Mr. Conrad?

4 Q Yes. Do you know how many of each
5 there were in the test year?

6 A I don't know how many transportation
7 customers. I think in my -- I think there was
8 like 460 LVS customers, approximately, and from
9 like what we heard today, there was anywhere from
10 two to a dozen of those were transportation
11 customers --

12 Q Yes. You heard that today. When --
13 and your surrebuttal here was prepared on or about
14 June 14. What did you know as of June 14 as to
15 how many there were?

16 A I didn't know the exact number. I
17 based that on my reading of the tariff, that the
18 customers could be either transportation or sales
19 customers in the LVS class.

20 Q As of June 14 when you prepared your
21 testimony, how many LVS customers were sales
22 customers?

23 A I don't know the exact number.

24 Q On page 4, I see you make a mention
25 here, a question, lines 6 through -- and then

1 running down through 10 for the answer. Is that
2 the only difference that you understand between
3 sales and transportation customers?

4 A I think that's the major difference
5 between the transportation and sales customer,
6 that a sales customer is a customer that receives
7 its gas supply from the Company and a
8 transportation customer receives the -- is
9 responsible for its own gas supplies.

10 Q Would you agree with me that
11 transportation customers on MGE are also
12 transportation customers on upstream pipelines?

13 A Are you saying that they directly
14 contract with the interstate pipe?

15 Q Let me ask the question again.
16 Would you agree with me the transportation
17 customers on MGE are also the transportation
18 customers on the upstream pipelines?

19 A I don't know that all of them are.

20 Q How did the ones that you're
21 thinking are not get gas to MGE city gates?

22 A I believe they can purchase capacity
23 release from MGE's interstate pipelines.

24 Q And when they purchase capacity
25 release, Mr. Busch, in whose name does that

1 transportation go forward on the upstream
2 pipeline?

3 A I believe it goes on the -- to the
4 party that is taking the capacity release.

5 Q So they would get a bill from the
6 interstate pipeline, would they not, for the
7 capacity that they used, and in addition, they
8 would have to pay some fee to MGE or to whomever
9 the capacity release seller was. Is that correct?

10 A I'm familiar that the capacity
11 release is shown as a credit to MGE's
12 transportation invoice. So then I would assume
13 that the interstate pipeline sends that invoice to
14 the -- to the third party. I don't know that the
15 third party necessarily sends money to MGE.

16 Q Would you agree with me that the
17 predominant transporting pipeline for Missouri Gas
18 Energy is Southern Star? Used to be Williams?

19 A I would agree with that.

20 Q Do you have any sense of percentage?

21 A I wouldn't want to say a percentage,
22 but I -- it's substantial.

23 Q More than 50 percent?

24 A I would -- from my recollection,
25 it's more than 50 percent.

1 Q Please describe for me, Mr. Busch,
2 as you understand it, what the process of
3 transporting natural gas is.

4 A Do you mean the engineering of
5 getting natural gas, or do you mean just the
6 natural gas is pumped out of a well?

7 Q Okay, let's start there.

8 A Okay. It's pumped from a well.

9 Q Then it goes where?

10 A Then it goes into -- generally goes
11 into a interstate pipeline. And then it is
12 transported to a city gate location, or a customer
13 off of that pipeline.

14 Q Now, the -- the well that we're
15 speaking of, who would likely own that?

16 A The supplier.

17 Q Sometimes they're called producers?
18 Is that correct?

19 A Producers, yeah.

20 Q And the interstate pipeline in this
21 case, as we talked a few moments ago,
22 predominantly would be Southern Star?

23 A For MGE?

24 Q Uh-huh.

25 A Yes.

1 Q Do they do that for free?

2 A I don't believe it's free for the
3 transportation.

4 Q Who sets their rates?

5 A I believe it's set by the FERC, the
6 Federal Energy Regulatory Commission.

7 Q Now, you've indicated, I believe
8 it's at page 3, sir, of your -- I'm pretty much
9 going to stay on your surrebuttal. Page 3, that
10 an LVS customer can be either transportation or a
11 sales customer. Do you see that reference?

12 A Yes, I do.

13 Q Describe for me the process, as you
14 understand it, of changing from being a
15 transportation customer to a sales customer.

16 A Going from a transportation to a
17 sales customer?

18 Q Correct.

19 A All I would know is just from what
20 I've read from the tariff, that they have to give
21 notice unless they make a -- I think it says has
22 to make some payment, but I don't know if that
23 means that it -- that they go from a -- from the
24 LVS class to the LGS class or not.

25 Q You mentioned reading from the

1 tariff. Which tariff was that?

2 A It would be MGE's tariff.

3 Q Mr. Busch, I want to show you --

4 MR. CONRAD: May I approach?

5 JUDGE WOODRUFF: You may.

6 Q (By Mr. Conrad) -- what has been
7 previously marked and admitted as 601. My
8 question to you, sir, after you take a moment to
9 look at that, is that the tariff that you're
10 referring to? To be grammatically correct, to
11 which you're referring?

12 A It looks very familiar to -- similar
13 to the ones that I have reviewed.

14 Q Looking at sheet 41, which is the
15 second page of that packet, were you here when Dr.
16 Cummings was on the stand?

17 A Yes, I was.

18 Q Do you recall the sentence that I
19 asked him to look at in that particular part of
20 the tariff?

21 A I believe it was about midway down,
22 customers must give the Company 12 months; is that
23 the correct sentence?

24 Q Yes, sir. And you can confirm that
25 that's the 12 month period that you're talking

1 about also?

2 A Yes.

3 Q And there are some other conditions
4 there, they have to give 12 months notice unless
5 sales gas is otherwise available, meaning that
6 what? What does that mean, Mr. Busch?

7 A My understanding is that would mean
8 that the -- that there would be gas available from
9 MGE to provide to the transportation customer.

10 Q Now, we talked a moment ago about
11 the process of transportation. Are the
12 transportation customers that I represent the only
13 transportation customers that there are on the
14 interstate pipeline?

15 A I don't believe so.

16 Q Who is another one?

17 A I don't know off the top of my head.

18 Q Let me see if I can prompt you.
19 Would MGE be a transportation customer?

20 A Oh. Yeah, MGE would be a
21 transportation customer, yes. The LDCs in the
22 State of Missouri and other LDCs in other states.
23 I thought you were referring to transportation
24 customers of MGE, yes.

25 Q I'm sorry if I misled you. So when

1 we say unless sales gas is otherwise available,
2 that could really mean a couple of things,
3 couldn't it?

4 A Yeah, unfortunately, after working
5 for a few years, I have read tariffs that have
6 multiple meanings to multiple people,
7 unfortunately.

8 Q I'm not asking you to give a legal
9 opinion, sir, I grant you that. But would you
10 agree with me that in order to have sales gas be
11 available, you would have to have first purchased
12 the gas from a producer, and secondly, somehow
13 arranged for that gas that you purchased from the
14 producer to appear at a city gate?

15 A Not necessarily.

16 Q So somewhere along the interstate
17 pipeline, MGE would have sales gas available to
18 the prospective sales customer. Is that your
19 testimony?

20 A It could.

21 Q I see. How can that happen, sir?

22 A Not all of MGE's gas supply is
23 arranged on a firm basis. They have some, and the
24 exact terminology is escaping me right now, but
25 they could take up to 100 percent of what they

1 have contracted for, or they can take as low as
2 maybe 50 percent, because, depending upon the
3 weather, they don't necessarily need to have all
4 their gas on a firm supply. So there may be
5 situations where they would have sales gas that
6 could be available.

7 Q Where did the gas -- the physical
8 commodity of the gas that they would have
9 available in your answer have come from?

10 A Where would the gas come from?

11 Q Yeah.

12 A I believe it would come from the
13 ground.

14 Q From a producer?

15 A From the producer in their wells.

16 Q And where would this gas be located
17 in your example?

18 A Wherever the -- they were purchasing
19 the supply from. I don't think I follow your
20 question, sir.

21 Q Well, let's try it another way.

22 Is sales gas, as your -- as the term
23 is used here in this tariff and also to which
24 you're obliquely referring on page 3 of your
25 surrebuttal, is that available if it is somewhere

1 on Southern Star system other than the city gate?

2 A I don't know if I quite follow your
3 question. I'm sorry.

4 Q Okay. Let's get more basic. The
5 producer produces the gas, right? We talked about
6 that?

7 A Yes, they do.

8 Q And it goes into sometimes what they
9 call a gathering system. You ever heard that
10 phrase?

11 A Yes.

12 Q And that gathers it from the
13 multiple wells in the producing field and pumps it
14 and sometimes purifies it or processes it in some
15 way, those are called plants.

16 A Mm-hmm.

17 Q And they produce into an interstate
18 pipeline. I'm correct so far?

19 A So far it sounds good.

20 Q Now, then, if MGE is the
21 transportation customer, would MGE have to become
22 a transportation customer by purchasing capacity
23 of some sort on that interstate pipeline?

24 A Yes, it has to have transportation
25 capacity.

1 Q And if they didn't have
2 transportation capacity and hadn't arranged that
3 before, they wouldn't have any way of making any
4 of the gas coming out of the field anywhere
5 available at the city gate, would they?

6 A If they do not have the capacity
7 available, then yes, they could not -- unless they
8 got a capacity release from another --

9 Q The capacity would have to come from
10 somewhere, right?

11 A It would have to come from
12 somewhere, right.

13 Q And as we talked before, talking
14 about capacity release, somebody would have to pay
15 for that. In that case, it would be MGE, right?

16 A I believe so.

17 Q And where would that cost go?

18 A Transportation costs?

19 Q Yes.

20 A Those are under PGA.

21 Q PGA. Thank you. Now, let me see if
22 I can bring this part of this exercise to a head.
23 Would an LVS customer that wanted to become a
24 sales customer also have to establish a demand
25 level?

1 A I think so, if I read this tariff
2 correctly.

3 Q Could be almost any number, would
4 you agree?

5 A I think on sheet 40 of Exhibit 601
6 talks about maximum monthly requirement of at
7 least 15,000 Ccf, so I think it has to meet those
8 standards.

9 Q Which would be 1,500 Mcf or 1,500
10 decatherms, right? Roughly?

11 A I think so.

12 Q So I don't get confused on the
13 units, Mr. Busch. So in other words, what you're
14 saying, in order to become a sales customer after
15 having been a transportation customer, the
16 proposed sales customer would have to do something
17 to tell MGE how big they are and how much they
18 wanted? Right?

19 A At least how much gas they wanted,
20 yeah.

21 Q And over what period of time?

22 A I think -- it's been a while since
23 I've looked through that tariff. I -- I'd have to
24 go back through the tariff.

25 Q Okay. Well, what did you know about

1 it on June 14?

2 A Just that they could be a -- they
3 could be either/or, an LVS, that transportation,
4 or a sales customer.

5 Q Now, after we've been through at
6 least this part of it, do you see them being an
7 either/or as being something that they could just
8 decide, well, today is a day that is evenly
9 divisible by three, so I'm going to call up MGE
10 and be a sales customer today, and tomorrow I'm
11 going to be a transportation customer, and over
12 the weekend I'm going to be a sales customer? Do
13 you see that happening?

14 A I don't necessarily see that
15 happening, but I know a customer could maybe join
16 the system as an LVS customer. It doesn't say it
17 precludes any other customer from being a new
18 customer.

19 Q So that would be a new customer,
20 right? In your example?

21 A It could be.

22 Q Well, let's look at R-59, which is
23 the last page.

24 A I'm there.

25 Q Paragraph 9.04.

1 A Okay.

2 Q Because a new customer would need,
3 if they're building a new plant, they'd need new
4 installation, wouldn't they?

5 A If a customer is building a new
6 plant?

7 Q Mm-hmm.

8 A They would. Well, depending upon
9 where the system is. They could build a new plant
10 where the system is already there and ready to go.

11 Q And this would appear to apply if
12 it's 6,000 Ccf or more, 600 Mcf. Right?

13 A I see that number.

14 Q The amount of the investment in
15 distribution mains which the Company will make
16 without a deposit will be determined by the
17 Company from an analysis of the character of
18 service requested, the estimated revenue to be
19 derived from the applicant, and the estimated
20 expense of providing such service. You see all
21 that?

22 A I did see all that.

23 Q So we kind of have to go through a
24 cost/benefit analysis, wouldn't we?

25 A The Company -- MGE?

1 Q Yeah.

2 A They will do an analysis. I don't
3 know if it's necessarily cost/benefit analysis,
4 but they will do an analysis.

5 Q An analysis of the character service
6 requested, the estimated revenue to be derived,
7 and the estimated expense of providing such
8 service. What other components would there be to
9 a cost/benefit analysis? Of that particular
10 customer extension? Main extension?

11 A I believe when you do a cost/benefit
12 analysis, then you also determine whether or not
13 you want to go ahead and do the project. And from
14 what this says, they would just do an estimated
15 revenue and estimated expense.

16 Q Does it say ahead of where we were
17 reading the amount of investment in distribution
18 mains which the Company will make without a
19 deposit?

20 A I think it's determining the amount
21 of investment they will make, but I don't
22 necessarily know if that means that they will not
23 do the project. It just talks about the deposit
24 that they're making.

25 Q Now, the other side of this, then,

1 Mr. Busch, look at the same paragraph we were
2 focusing on on sheet 41, but let's look up at the
3 top of that paragraph.

4 A Sheet 41?

5 Q Uh-huh.

6 A Okay.

7 Q And that's going from sales to
8 transportation. Same 12 month notice, isn't it?

9 A It's going from general sale
10 service.

11 Q Mm-hmm. General sale service. How
12 do you interpret that? As being something of a
13 rate classification or revenue classification, or
14 do you think that's a generic term for anybody
15 that's a sales customer?

16 A I think it could be easily
17 interpreted either way. Because it does say
18 general sales service.

19 Q But it doesn't capitalize that in
20 the sense of using a tariff category or rate
21 category, right?

22 A It does not specifically point that
23 out.

24 Q And then it goes on to say that they
25 would have to pay a charge to the Company designed

1 to reimburse the Company for any costs which have
2 been incurred to provide sales service to the
3 customer and which cannot be avoided or recouped
4 from other reasonably available means. Do you see
5 that language?

6 A I see where it says that if they
7 don't give the 12 months notice.

8 Q Why do you suppose 12 months is the
9 -- if that's -- if it's an exception?

10 MR. MICHEEL: I'm going to object to
11 that, that calls for speculation, Your Honor.

12 MR. CONRAD: I'll ask him if he
13 knows.

14 Q (By Mr. Conrad) Do you know why,
15 with respect to the 12 months, why the 12 months
16 is there, Mr. Busch?

17 A I don't know.

18 Q But you would agree with me that
19 this suggests that there might be costs which the
20 Company had incurred to provide sales service for
21 which they would ask to be reimbursed before
22 permitting a customer to become a transportation
23 customer, a former -- outgoing sales customer,
24 would you agree so far?

25 A I -- if they do that within 12

1 months?

2 Q So let me, then, ask you just to
3 kind of sum this up, do you contend, Mr. Busch,
4 that there is an absolute right for a
5 transportation customer to switch to sale service?

6 MR. MICHEEL: That calls for a legal
7 conclusion, Your Honor. I object.

8 JUDGE WOODRUFF: Overruled.

9 THE WITNESS: Could you repeat the
10 question?

11 Q (By Mr. Conrad) Do you contend, Mr.
12 Busch, that there is an absolute right for a
13 transportation customer to switch to sales
14 service?

15 A From how I read the tariffs, I think
16 yes.

17 Q Do you contend, Mr. Busch, that
18 there is an unconditional right for a
19 transportation customer to switch to sales
20 service?

21 A Could you define unconditional for
22 me?

23 Q Without condition.

24 A Without condition? I -- to switch
25 from large volume transportation to large volume

1 sales?

2 Q Sales.

3 A It would appear from reading these
4 tariffs that there are some conditions that are --
5 to switch.

6 Q Would you agree with me that there
7 is no unconditional right for a sales customer to
8 switch to transportation service?

9 A There is no unconditional right to
10 go the other way?

11 Q Correct.

12 A Other than the condition of waiting
13 12 months, yeah.

14 Q And less than that, then they'd have
15 to -- so that -- they'd have to make some payment?
16 Or at least negotiate?

17 A They'd have to negotiate something.

18 Q So the example that I gave you a few
19 moments ago of a transportation customer deciding
20 that this day they were going to be a sales
21 customer, and that as a sales customer, deciding
22 the next day they were going to be a
23 transportation customer really wouldn't happen
24 under these circumstances, would it?

25 A I think I agreed with that earlier,

1 yes.

2 Q And the magic phrase that you used
3 was 12 months. Right?

4 A For any one customer, I think the
5 tariffs indicate 12 months.

6 Q So 12 months is typically the length
7 of what other period that we use in common phrase?
8 Is that a year?

9 A Twelve months, maybe a year?

10 Q Good.

11 A Thank you.

12 Q Now, if a transportation customer
13 were to switch to sale service as you contend that
14 they would be able to do, that customer would
15 thereafter look to MGE for the provision of their
16 natural gas supply, would they not?

17 A I would believe so.

18 Q And that provision would include not
19 only purchase of the gas as we've talked about
20 from the producer, but arranging to have that gas
21 show up at the city gate?

22 A I would believe so, just like any
23 other customer.

24 Q And that customer I think you
25 indicated would be, then, subject -- certainly the

1 cost would be in the PGA and the customer would be
2 subject to the PGA for those costs, would they
3 not?

4 A The transportation costs would be.

5 Q The gas costs would be included?

6 A The gas cost as well, the actual
7 cost of gas.

8 Q Now, would you agree with me that in
9 such a case, the cost of using storage and the
10 cost of storage gas that was consumed, if any, by
11 the customer would also be included in the PGA?

12 A Are you talking about the actual
13 tariffed charges?

14 Q Yes.

15 A The tariff charges would be. Those
16 are all in the PGA.

17 Q And would you agree with me that the
18 PGA correctly tracks and charges such gas costs to
19 the sales gas customers?

20 A I believe so.

21 Q And you would agree with me that
22 that cost would include all the costs associated
23 with the transportation of that gas supply,
24 including the costs of the gas itself, if any was
25 withdrawn from storage, the withdrawal fee; the

1 injection fee on the other side of that, and the
2 reservation fee for the storage? Correct?

3 A I think all the FERC charges that
4 you just mentioned would be in the PGA.

5 Q And predominantly, as you understand
6 it, to whom would those fees be paid?

7 A They would be paid to the interstate
8 pipeline or whoever owns the storage.

9 Q Now, as I understand your response
10 here primarily on pages 3 and 4 of your
11 surrebuttal, it is that the transportation
12 customers, exclusively the transportation
13 customers should receive an allocation of the
14 storage gas inventory, and I understand we're
15 talking now about the return on that?

16 A Mm-hmm.

17 Q An allocation of the return on the
18 storage inventory of natural gas because they
19 receive the potential benefit of balancing. Is
20 that correct, Mr. Busch?

21 A That there may be a situation --
22 that was one of my reasons for it, was that there
23 may be situations where they receive more gas than
24 they've nominated and that could come from a
25 storage facility. If it would happen in the

1 withdrawal season.

2 Q Now, would you agree with me that a
3 potential benefit is not the same as a cost?

4 A That a potential benefit is not the
5 same as a cost? I think so.

6 MR. CONRAD: Just an aside, Mr.
7 Busch. Judge, I have a few more on that, but it's
8 probably a good time if you wanted to -- I can go
9 on, as you please.

10 JUDGE WOODRUFF: Yes, thank you for
11 bringing that up. It is time for lunch. Yes,
12 time does fly. We'll break until 2 o'clock for
13 lunch. 2 o'clock. I want to give the parties an
14 opportunity to discuss the stipulation agreement.
15 So we'll come back at 2 o'clock.

16 MR. CONRAD: Thank you, Your Honor.
17 (Off the record.)

18 JUDGE WOODRUFF: All right. Let's
19 come to order, please.

20 MR. CONRAD: Trying to find an
21 exhibit if you'll give us a moment.

22 JUDGE WOODRUFF: We're back from
23 lunch. Would -- is there anything additional to
24 add on the record about these discussions
25 concerning the agreement?

1 MR. HACK: I guess I would just tell
2 you what I told you off the record, that I spoke
3 with Mr. Comley for the City of Kansas City and he
4 has authorized me to advise the Commission that
5 the City of Kansas City will not request a hearing
6 on the settlement agreement.

7 Mr. Deutsch I have left a voice mail
8 for. And we have also had informal discussions
9 with the remainder of the parties here, and I
10 would, although they're here, it's my belief that
11 they have indicated no problem with the document.

12 JUDGE WOODRUFF: Okay. Mr. Conrad,
13 anything you want to add?

14 MR. CONRAD: No, I think that's a
15 correct statement. I've indicated to counsel for
16 MGE that we do not anticipate a problem with it,
17 and I think Mr. Finnegan has returned so he can --

18 MR. FINNEGAN: The same.

19 JUDGE WOODRUFF: Okay. While we're
20 dealing with that, I have had some conversation
21 with the Commissioners. They are still up in
22 agenda upstairs. They would like an opportunity
23 to ask questions of the parties about the
24 stipulation agreement.

25 I propose to schedule that for 10

1 o'clock tomorrow morning. We will start at 8:30
2 with the testimony and, if necessary, break off
3 the testimony to give the Commissioners a chance
4 to ask questions about the stipulation agreement.

5 Okay. When we broke off, we were
6 having cross examination from Missouri -- Midwest
7 Gas Users Association. And so, Mr. Conrad, when
8 you're ready, you can continue.

9 MR. CONRAD: Thank you.

10 Q (By Mr. Conrad) Mr. Busch, when we
11 did break off, we were just starting to talk a
12 little bit about balancing. Do you recall just
13 the initial question on that? Not that you recall
14 it verbatim, but the general topic that we were
15 going into?

16 A I think your last question dealt
17 with balancing.

18 Q Let me start out this part, Mr.
19 Busch, by just asking you how many times you think
20 a customer should be required to pay for the same
21 service provided by a utility?

22 A Once, I would believe.

23 Q Now, on page 4 of your surrebuttal,
24 you indicate, and I believe it's on lines 4 and 5
25 for a specific reference, MGE has storage

1 capabilities. You see that reference?

2 A Yes, I do.

3 Q Where is the storage capability
4 located?

5 A I do not know the exact physical
6 location. It's on the interstate pipelines. It's
7 not MGE's storage facilities.

8 Q Would it be correct to say that MGE
9 does not have any storage of its own?

10 A That is correct, MGE does not have
11 any storage as far as I'm aware.

12 Q So how does it provide for this
13 storage capability?

14 A It contracts with the interstate
15 pipelines.

16 Q And what right do the transportation
17 customers have to use MGE's storage capability?

18 A I would say that because they are a
19 part of MGE's system, that if there arose a
20 situation where they needed some of the -- if they
21 needed more gas than they nominated, that they
22 could utilize the storage.

23 Q Do you know if any existing
24 transportation customers have the ability to
25 reserve storage from the same source?

1 A You mean from the same storage
2 facilities?

3 Q From the same source. The
4 interstate pipeline.

5 A I believe so.

6 Q Do you know how many have?

7 A No, I do not.

8 Q Do you understand that many
9 transportation customers may also use the services
10 of a broker or marketer?

11 A I believe so.

12 Q And do you know if any brokers or
13 marketers or even producers have the ability to
14 reserve storage from the same source?

15 A I would think so.

16 Q Would you agree with me that some of
17 them could even arrange storage on another
18 connecting pipeline?

19 A I don't know if I follow the
20 question.

21 Q Well, let's back up a second. Does,
22 to your knowledge, does Southern Star interconnect
23 with any other interstate pipelines?

24 A I believe they do.

25 Q If storage were available on one of

1 those interconnecting pipelines, do you know if it
2 would be possible for a shipper on Southern Star
3 to have storage on another interstate pipeline?

4 A Assuming they had a capacity path, I
5 would think so.

6 Q And for the benefit of the record,
7 capacity path, as you use the term, refers to
8 what?

9 A Have the ability to transport on the
10 pipeline that the storage was on to the Southern
11 Star system.

12 Q Do you have any information as to
13 how many of MGE's transportation customers may
14 already be paying for their own storage or could
15 be purchasing storage services through a broker or
16 marketer?

17 A I have no knowledge to that.

18 Q And you've indicated, I believe, in
19 our earlier exchanges that there were some small
20 number of LVS sales customers; am I right?

21 A Yes.

22 Q Do you know how many there were
23 during the test year?

24 A As I stated earlier, anywhere from
25 two to twelve on any given month.

1 Q Do you know what this group of
2 customers' usage of the sale services of this
3 company would be?

4 A Their specific usage?

5 Q Mm-hmm.

6 A Not off the top of my head.

7 Q But could we agree that as sales
8 customers, they would be subject to the PGA?

9 A Yes.

10 Q Now, are you aware when the
11 balancing provisions were last changed in MGE's
12 tariff?

13 A Are you referring to MGE's
14 balancing?

15 Q Yes. Yes, sir.

16 A No, I'm not aware of when they were
17 changed.

18 Q Permit me, sir, to direct your
19 attention again to what's been marked as Exhibit
20 601. And look, please, on the sheets that begin
21 with 61.2 and the couple of sheets after that
22 until we get to 61.4 and we talk about priority
23 service.

24 A I'm there.

25 Q What is a monthly cash out that's

1 referred to there?

2 A It says the difference between the
3 deliveries and retainage-adjusted receipts shall
4 be reconciled on a monthly basis between Company
5 and a customer or the customer's agent.

6 Q Now, you've used the term balance
7 occasionally here in our discussion. What is an
8 imbalance?

9 A My understanding, it's when you
10 receive more gas than you nominate, or you take
11 less gas than you nominate. It could go either
12 way.

13 Q And how is that settled?

14 A Between who?

15 Q Whoever is out of balance.

16 A Are you referring to a MGE customer
17 and MGE, or MGE and the interstate pipeline?

18 Q Well, let's take them one at a time,
19 maybe we'll get there. How about since we're on
20 601 and looking at the MGE tariffs, between MGE
21 and the customer? How do you understand that it's
22 settled is the question.

23 A I believe that if there is an
24 imbalance of greater than a certain amount, that
25 the transportation customer has to pay for the

1 amount that they're over, amount that they are
2 imbalanced.

3 Q Okay. If I'm looking at 61.2,
4 paragraph (9)(a)(i), are you there with me?

5 A Yes, sir.

6 Q Looks to me like that's what some of
7 us call tiering. That's tiering, t-i-e-r-i-n-g.
8 Would you agree with me?

9 A That looks like a tier, yes.

10 Q That if it's up to 10 percent
11 imbalance, they pay, but only the index price
12 times a multiple of 1.0. So far so good?

13 A That's what it says.

14 Q And if it's over 10 percent, but up
15 to 15 percent, then that increment is multiplied
16 by 1.2. And if it's over 15 percent, the
17 increment over that is 1.4.

18 A That is correct.

19 Q So would you agree with me that in
20 no case does an imbalanced transportation customer
21 get away without paying for the gas?

22 A Paying for the gas? I would agree
23 that they pay for the gas.

24 Q And if they're seriously out of
25 balance, they might pay, in some instances, a good

1 business more for the gas?

2 A 1.4 times the index price.

3 Q Okay. Now, look down, if you would,
4 to little ii which I think deals with the other
5 side, because you mentioned an imbalance could be
6 both ways.

7 A Mm-hmm.

8 Q That's the situation where the
9 customers' receipts exceed the deliveries. What
10 does that mean, Mr. Busch?

11 A That the -- that what the customer
12 nominated was more than what they actually
13 received.

14 Q Look at that again and see if the
15 second line of that, exceed deliverage and then
16 what's the word in parens?

17 A Usage.

18 Q To the customer.

19 A Mm-hmm.

20 Q So that's a situation in which the
21 customer has put more gas into the system.
22 Because we're talking here, Mr. Busch -- you
23 understand the difference between scheduling and
24 balancing, don't you? Or do you?

25 A Yes.

1 Q Are we talking here about scheduling
2 or are we talking here about balancing?

3 A Well, they schedule, or they
4 nominate, and then it's what is actually used.
5 What's actually delivered to the company. To the
6 customer.

7 Q So the receipts for the customer
8 exceed the customer's usage. Right?

9 A Yes.

10 Q Okay. And that would be a situation
11 in which I put a hundred into the system, but only
12 used 90. Right?

13 A Yes.

14 Q Where did that gas go? In my
15 example, 10 units?

16 A I don't know actually where that
17 actual gas went. When it gets in the system.

18 Q Well, I'm puzzled then, because you
19 seem to be under the impression, Mr. Busch, that
20 when it goes the other way, that it somehow comes
21 out of storage. But when the customer puts more
22 into the system than they burn, where does that
23 gas go?

24 A Well, I wouldn't say that it always
25 comes out of storage when they take more than they

1 put in. That's just one example for why they
2 would get storage, and that would necessarily be
3 in the winter withdrawal season. If that would
4 have happened in the summertime, I wouldn't argue
5 that it would have to come out of storage at that
6 point in time.

7 Q Okay. But where does, in my
8 example, the 10 units of gas go? Do you know?

9 A No, I do not know.

10 Q But we do know one thing, and that
11 is the first paragraph of that tiering is
12 identical to the first paragraph of the other
13 tiering arrangement, isn't it?

14 A Yes, it is.

15 Q And that is, if they're within 10
16 percent, the gas gets cashed out, that is, bought
17 back at the index price. But what if it's more
18 than that? What if it's up to 15 percent, Mr.
19 Busch? What happens?

20 A They get 80 percent.

21 Q They only get 80 percent of what
22 they might have paid for it, right? And if it's
23 still more than that, they only get --

24 A 60.

25 Q 60 percent. But in no case is the

1 system not ultimately cashed out and made whole
2 one way or the other, right?

3 A I think that's correct.

4 Q Now, Mr. Busch, you mentioned
5 earlier that the predominant transport was
6 Southern Star Central. Do you recall that?

7 A That MGE has most of their pipeline
8 capacity on Southern Star Central, I do remember
9 that.

10 Q And I think I know, but correct me
11 if I'm wrong, that in your work for Public
12 Counsel, you have become familiar with the
13 Southern Star, used to be Williams till relatively
14 recently, and I'm still learning myself, their
15 tariff structure; is that fair?

16 A I have looked at their tariffs in
17 the past. At some of them. Not all of them.

18 Q But you -- you do have in the course
19 of looking at the evaluations and running the PGA
20 and checking those things, you've looked at what
21 their critical tariffs are? Pricing tariffs,
22 let's say? What their rates are?

23 A I haven't necessarily done a PGA
24 review since I've been with the Public Counsel.

25 Q Okay. But you'd indicated, I

1 believe, you looked at capacity release?

2 A I have looked at capacity release,
3 yeah.

4 Q And you've looked at them in
5 conjunction with -- well, let me cut this short.

6 Would you recognize the Southern
7 Star Central pipeline tariff sheet if you saw one?

8 A Probably.

9 Q Let's try.

10 JUDGE WOODRUFF: This will be No.
11 609.

12 (Exhibit 609 marked for
13 identification.)

14 Q (By Mr. Conrad) Mr. Busch, I have
15 handed you an exhibit that I had started to mark
16 at an earlier time when I thought things were
17 going to be sequenced different as 603, but it
18 turns out it's 609 and that's the number that's
19 been recorded for it. Does that look at all
20 familiar to you?

21 A I mean, this exact page doesn't, but
22 it looks like it could be a FERC tariff for the
23 Southern Star Central Gas Pipeline.

24 Q I mean, that's what it -- that's
25 what it says.

1 A That's what it says.

2 Q But as far as -- you know, I'll
3 certainly represent to Mr. Busch that you're not
4 the source of 609. But nonetheless, that would be
5 their sheets, Southern Star's sheets 10, 11, and
6 12 in all cases second revised. Would you agree?

7 MR. MICHEEL: Your Honor, at this
8 point I would just object. I mean, he said he
9 hasn't seen this particular tariff. And so I
10 don't think, you know, he's going to be able to
11 lay a foundation.

12 He's looked at certain Southern Star
13 Central tariffs, but he hasn't seen this
14 particular tariff, so.

15 JUDGE WOODRUFF: Do you wish to
16 respond?

17 MR. CONRAD: Well, as I said, this
18 isn't coming from his work papers or something, it
19 is coming from FERC.

20 Q (By Mr. Conrad) So my question, I
21 guess, would be where would you go, Mr. Busch, if
22 you wanted to get a copy of Southern Star's
23 tariffs?

24 A I believe I could get them off of --
25 I could go to the FERC website or probably

1 Southern Star's website?

2 Q And if I told you that you went to
3 the Southern Star -- or excuse me, FERC's website
4 and told you that this is what you would get,
5 would that make you feel more comfortable?

6 A Yeah, I mean, yeah. If --

7 MR. CONRAD: Okay. Well, Judge,
8 just for the record, I'll go ahead and offer 609.
9 I understand Mr. Micheel may have objection.

10 JUDGE WOODRUFF: All right. 609 has
11 been offered. Is there any objection to its
12 receipt?

13 MR. MICHEEL: I would just object to
14 the extent that there's been a lack of foundation
15 from this witness that -- although, you know, Mr.
16 Conrad's made these representations and the
17 witness has indicated you could get this from the
18 FERC website, which I don't doubt, he hasn't
19 looked at this tariff and I would object to any
20 questions regarding this particular tariff, and
21 therefore, I don't think there's appropriate
22 foundation to put this in through this witness,
23 Your Honor.

24 JUDGE WOODRUFF: All right. I'm
25 going to overrule the objection. The document

1 will be admitted.

2 Q (By Mr. Conrad) Mr. Busch, I
3 understand that you have not seen this particular
4 document perhaps before today, but I would ask you
5 to look down at it for a few moments and see if
6 you can help me or walk me through some of the
7 things that may be familiar to you.

8 Do you know what service MGE takes
9 from the pipeline primarily from Southern Star, to
10 be specific? If you know.

11 A It's a firm service. What the
12 actual letter classification is right now, I've
13 got it upstairs, right now I can't remember what
14 it is.

15 Q Well, I know we're trying to
16 discourage subject to check, but would you --
17 would you look at that TSS service? Does that
18 sound at all familiar?

19 A Yes, it does.

20 Q And that's usually denominated TSSP,
21 and that stands for?

22 A Production area.

23 Q And TSSM stands for?

24 A Market area.

25 Q And would I be correct, in

1 accordance with your understanding of that, that
2 that's a bundled service? There's both
3 transportation, and I think you're correct in
4 characterizing it as firm, and there's also a
5 storage component that's bundled with that?

6 A I think so.

7 Q And that, to your understanding, if
8 you know, just a little bit of history as I
9 understand it, when we came out of order 636, the
10 pipelines were supposed to offer the LDCs what was
11 called a premium no notice, no nomination service.
12 Remember words along that line?

13 A I believe --

14 Q No notice, no nom service?

15 A The no notice part, yeah.

16 Q And that was so they could operate
17 their systems without having to always be in peril
18 that they were going to overrun their capacity
19 allotment. Wasn't that right?

20 A Because they were unbundling -- the
21 LDCs were having to purchase the gas from the
22 pipeline itself, that they were allowed to -- if
23 they needed more gas, that they could pull the
24 capacity.

25 Q Well, and to be precise, they

1 weren't buying the gas from the pipeline directly,
2 would you agree with me, is that's what FERC did
3 in 636?

4 A Yeah. They unbundled it in 636,
5 yeah.

6 Q Now, if you move on down that list,
7 I want you to look at particularly the services
8 FTS. Do you know what that stands for? Can I
9 help? How about firm transportation --

10 A Yes.

11 Q And it's got that same P and M?

12 A Yes.

13 Q So in other words, if I wanted to
14 look across at FTSP, for example -- do you recall,
15 by the way, Mr. Busch, roughly where that
16 production market boundary is? I know not
17 precisely, but --

18 A No, I can't recall.

19 Q Okay. But in order to get from
20 Hugoton, let's say, and you know where that is?

21 A Right.

22 Q To Kansas City on Southern Star,
23 you'd have to go through both zones, wouldn't you?
24 You'd have to --

25 A Yeah, to the best of my knowledge,

1 you have to go through both zones.

2 JUDGE WOODRUFF: If you could
3 clarify for me, I don't know where Hugoton is.

4 Q (By Mr. Conrad) Mr. Busch, where is
5 that?

6 A Southwest Kansas, Oklahoma, Texas
7 area? Is that Hugoton?

8 Q Hugoton actually is a city, a little
9 burg in the State of Kansas down in the southwest.
10 But I think, correct me, Mr. Busch, does it also
11 describe a large gas field?

12 A Yeah.

13 Q That obviously does not respect
14 counties or state lines.

15 A Yeah. Southwest Kansas, maybe down
16 into Oklahoma panhandle, Texas area.

17 MR. CONRAD: Does that help, Judge?

18 JUDGE WOODRUFF: Certainly does.

19 Thank you.

20 Q (By Mr. Conrad) And if I wanted,
21 Mr. Busch, to reserve the ability to transport one
22 Mcf -- and these are actually in decatherms, I
23 believe, but for our purposes here we're going to
24 assume thermal equivalency, right?

25 If I wanted the ability to reserve

1 one unit through -- firm transportation through
2 both production and marketing on Southern Star, I
3 would have to pay them a maximum price of \$5.61
4 and 18 mills and \$2.8014. Would you agree with
5 me?

6 A I believe I would agree with that.

7 Q Now, understand those are maximums.

8 A Right.

9 Q So they can, in a negotiation
10 situation, they can be negotiated from those
11 numbers. But that's --

12 A That is correct. That's the maximum
13 that MGE would pay. Or anybody would pay.

14 Q But all that would do is just give
15 me a right to -- to move a unit of gas. Would you
16 agree?

17 A Yes.

18 Q And we would have to look on the
19 part of the tariff, again, I'd like to just focus
20 again on the FT side, commodity part. You see
21 that?

22 A Yes, I do.

23 Q And there is a commodity line also
24 for FTSM, and different numbers associated with
25 those.

1 A Yes.

2 Q So now how -- correct me if I'm
3 wrong, if I -- if -- if I then actually move my
4 unit of gas throughout production area into the
5 market area, that's what I would have to pay
6 Southern Star?

7 A Yes. You'd have to pay the
8 commodity rate.

9 Q Now. While we're on FTSP, the very
10 line underneath the line that I directed you to
11 where it says reservation balancing fee and the
12 very line underneath commodity says commodity
13 balancing fee for both FTSP and FTSM, you see
14 that?

15 A Yes, I do.

16 Q Do you know what those are for?

17 A I would assume it's for in case
18 you're out of balance.

19 Q And for -- just correct me again,
20 moving on down the sheet there's what we call
21 seasonal firm transportation, SFT, you've heard of
22 both those things?

23 A Yes.

24 Q And they also have a commodity
25 balancing fee associated with them. Right?

1 A Yes.

2 Q And even on the next sheet, which is
3 sheet 11, to the extent that there is still some
4 out there, ITS, in your understanding, stands for?

5 A Interruptible.

6 Q Interruptible transportation
7 service, right?

8 A Right.

9 Q Again, production and market. And
10 do I correctly notice on both of those that there
11 is a commodity balancing fee?

12 A Yes. That is correct.

13 Q Would that be for the same thing
14 that we've talked about?

15 A I would assume so.

16 Q And by the way, while we're at it,
17 Mr. Busch, just to get you to an area that you are
18 familiar with, on sheet 11, kind of below the
19 middle?

20 A Yes.

21 Q Those are the -- those are the
22 maximum rates that capacity can be -- for which
23 capacity can be released, since you dealt with
24 release capacity. Am I correct?

25 A That's correct.

1 Q One last area, Mr. Busch. I'm sure
2 you're glad to hear me say that.

3 A I enjoy talking to you, Mr. Conrad.

4 Q Look if you would, please, back to
5 your direct. I promised you I'd try to stay with
6 your surrebuttal, and I lied, I guess.

7 A Direct did you say, sir?

8 Q Yes. And I want to look, if you
9 would, at Schedule JAB-RD1, page 1 of 4.

10 A Okay. Page 1 of 4?

11 Q Yes, sir.

12 A I am there.

13 Q And tell me what that shows. Talk
14 about your attachment just for a moment there.

15 A These are the peak demands by class
16 by month for MGE system in the first box, and then
17 in the second box I sorted them from the highest,
18 which would be January, to the lowest, which would
19 be July, on a total basis.

20 Q Now, would you agree that there is a
21 fair variation in the peak demands, as you
22 characterize it, for the residential class?

23 A Yes.

24 Q I mean, we go from roughly 4.3 --
25 what's your units there, by the way? Ccf or --

1 A I believe they're Ccf. I got the
2 numbers from Staff. I believe they're Ccfs.

3 Q Okay. So 4.3 million Ccf, I'm not
4 sure how that translates. Looks to me to be about
5 the high in January and December, and would you
6 agree that the low looks like it's in July?

7 A Yes, I would.

8 Q Okay. So the ratio, 228,000 to 4.3
9 million is roughly what?

10 A I think it's -- if I had a
11 calculator -- well -- it's about 19 times.

12 Q And on the large volume side, some
13 variation, but not quite as much, would you agree?

14 A There's not as much, that is
15 correct.

16 Q Looks like about 1.3 to a low, just
17 eyeballing it, again, in July, 643,821?

18 A Yes.

19 Q Fair?

20 A Yes.

21 Q And the second -- the second box at
22 the bottom is the same data, but you just --
23 you've just -- if I understand your testimony, is
24 just sorted on the totals column?

25 A Yeah, I sorted it by the monthly

1 total, yeah.

2 Q Do you know what that would look
3 like if that was graphed?

4 A Graphing it by month and then by
5 total?

6 Q Sure. Just by month.

7 A Yeah. I think I could recognize
8 that graph.

9 Q Okay. Let's see.

10 (Exhibit 610 marked for
11 identification.)

12 Q (By Mr. Conrad) Now, Mr. Busch, I
13 have handed you what has been marked for
14 identification as Exhibit 610. Please take a
15 moment, if you haven't done so already, and look
16 at the data that appears at the bottom part of
17 that sheet that I've handed you as compared to
18 your JAB-RD1.

19 A Okay.

20 Q And let me know, let us know, let
21 the Judge know in a moment or two here if it looks
22 to you like we have the same numbers, that we're
23 using the same things.

24 A I would say that the residential and
25 transport lines 2 and 3 are the same, and I guess

1 it looks like you just summed, for total MGE, you
2 just summed those two; is that correct?

3 Q I think so. I think that probably
4 does omit this SGS and LGS, but of those two
5 classes subject to that correction, thank you.

6 MR. CONRAD: And I will, Judge,
7 stipulate that this is not done by Mr. Busch nor
8 by MGE. But it is MGE's data, not Aquila's or
9 Laclede's or UE's.

10 THE WITNESS: MGE data provided by
11 Staff.

12 MR. CONRAD: Okay.

13 THE WITNESS: So yeah, maybe where
14 it says total MGE for line 4, put total
15 residential and transport LVS customers?

16 MR. CONRAD: That could be a good
17 change.

18 MR. MICHEEL: Just so I'm clear,
19 this is excluding large general service and SGS
20 customers, correct?

21 MR. CONRAD: It's my understanding,
22 Counsel, that your statement is correct. Yeah. I
23 don't want to confuse Mr. Busch. I'm not trying
24 to hide the ball here, just try to keep the
25 exhibits as clean as we could.

1 Q (By Mr. Conrad) Okay. So you're
2 satisfied, Mr. Busch, not to gild the lily here,
3 but that basically insofar as the numbers we've
4 used here, we've transferred them correctly?

5 A Yeah, for the residential, I confirm
6 those are the same numbers that I had,
7 transportation were the same. I had LVS, you have
8 transportation, and then it looks like you summed
9 them up in line 4.

10 Q And then you did point out that the
11 SGS -- excuse me. Yes, the SGS and the LGS were
12 not included in the total. It appears that
13 they're not, and I would -- I could calculate that
14 real quick, but if you stipulate that they're not,
15 then I'll agree that they're not.

16 MR. CONRAD: With that exchange,
17 Judge, I'd offer 610.

18 JUDGE WOODRUFF: All right. 610 has
19 been offered into evidence. Are there any
20 objections to its receipt? Hearing none, it will
21 be received into evidence.

22 Q (By Mr. Conrad) Okay. Mr. Busch, I
23 believe -- oh, yeah. One final area. I
24 understand your surrebuttal testimony to be saying
25 that because some transportation customers can

1 change to sales customers, or that MGE
2 occasionally uses or provides some service of
3 balancing in addition to the services that we've
4 talked about here on Williams, or Southern Star's
5 sheets, you don't know how many customers in that
6 category took advantage of those benefits for you
7 during the test year?

8 A No, I do not.

9 Q And despite that, your
10 recommendation is that the costs of the inventory,
11 sense of the return, should be allocated to the
12 entire LVS class, all 400 some odd of them? Is
13 that correct?

14 A That is what my testimony is, yes.

15 MR. CONRAD: Thank you, Mr. Busch.

16 THE WITNESS: Thank you, Mr. Conrad.

17 JUDGE WOODRUFF: Thank you. And
18 move on for further cross from Jackson County.

19 CROSS EXAMINATION BY MR. FINNEGAN:

20 Q Mr. Busch?

21 A Yes, sir.

22 Q I'll be brief on this. I want to
23 kind of go back to your direct testimony, Exhibit
24 212, page 5.

25 A Page 5?

1 Q Yes.

2 A Okay.

3 Q Okay. Where you describe the mains
4 allocator methodology that you utilized, which was
5 based on a method originally developed by Mr.
6 Charles Laderoute, and he was my witness once, so
7 he prefers to be Laderoute, L-a-d-e-r-o-u-t-e, for
8 the reporter's benefit, and this is a paper you're
9 familiar with?

10 A I've reviewed it, yes.

11 Q And then this was subsequently
12 modified by the OPC Economist Philip Thompson; is
13 that correct?

14 A That is correct.

15 Q And are you familiar with Mr.
16 Thompson's --

17 A I have read the -- his article, yes.

18 Q All right. Now, with respect to Mr.
19 Laderoute, you are aware that Mr. Laderoute
20 testified in MGE's last rate case, 2001-292?

21 A I am aware that he filed prefiled
22 testimony.

23 Q And do you know if it was direct,
24 rebuttal, surrebuttal?

25 A I believe it was direct. When you

1 start -- I know it was a settled case, I would
2 assume it was rebuttal and surrebuttal, but I
3 don't know for sure.

4 Q You did not review this testimony?

5 A I was not doing the mains allocator,
6 so I did not review --

7 Q For this case.

8 A For this case, no.

9 Q Did somebody tell you not to review
10 this?

11 A No.

12 Q It's kind of strange, is it not,
13 that Mr. Laderoute testified in Missouri in MGE's
14 last rate case and you didn't even look at it?

15 A I don't know if that's strange.

16 Q You don't know if he criticized the
17 OPC's methodology or the use of what they call Mr.
18 Laderoute's methodology?

19 A I can't remember.

20 Q You don't know.

21 A I don't know.

22 Q Because you never read it?

23 A I am not saying I didn't read it
24 back in 2001-292's case, I just didn't read it in
25 preparation for this case.

1 Q Well, perhaps you should have read
2 it, although ignorance is bliss, sir.

3 A I am aware of that.

4 Q And people who don't learn history
5 are condemned to repeat it, right?

6 A I am aware of that, too.

7 MR. FINNEGAN: All right. Thank
8 you. That's all the questions.

9 THE WITNESS: Thank you.

10 JUDGE WOODRUFF: All right. For
11 MGE. Mr. Hack got a phone call and left the room
12 for a moment. I believe someone's going to get
13 him.

14 MR. SCHWARZ: Staff has no
15 questions, just --

16 JUDGE WOODRUFF: Okay. Did you have
17 any questions for Mr. Busch, Mr. Hack?

18 MR. HACK: I apologize, Your Honor.
19 That was the City of Joplin. They are looking at
20 it and they'll be here in the morning.

21 JUDGE WOODRUFF: All right. Very
22 good.

23 MR. HACK: I apologize for the
24 delay.

25 THE WITNESS: That's okay, Mr. Hack.

1 CROSS EXAMINATION BY MR. HACK:

2 Q This will be perhaps not as brief as
3 Mr. Finnegan, but brief. Would you agree that
4 residential revenues or MGE's system are currently
5 not recovered 100 percent by way of volumetric
6 rate elements?

7 A Not 100 percent volumetric rate
8 elements. I would agree with that. There are
9 some fixed recovery.

10 Q And do you have any idea about what
11 percent of residential distribution revenues are
12 collected by way of fixed rate elements versus
13 volumetric rate elements?

14 A I did a table in my surrebuttal
15 testimony where I kind of used average customer
16 numbers that I think Dr. Cummings had used in his
17 testimony, and I looked at both the delivery
18 charge, customer charge, and the PGA.

19 And the delivery charge, the
20 volumetric charge was about -- around 11 percent
21 and the customer charge was around 13 percent of
22 the revenues for average customer. So if you --

23 Q Really what I'm looking for is
24 distribution revenues only. Set aside the PGA.

25 A Yeah. That was 11 percent would be

1 in the volumetric, 13 percent would be in the
2 customer, so about 24 percent would be in
3 distribution, about 75, two-thirds or
4 three-quarters would be in the PGA.

5 Q I don't want to hear about the PGA.
6 I'm talking about distribution revenues. The
7 rates we're setting in this case.

8 A Right. About 25 percent.

9 Q Assume for me that residential
10 distribution revenues have to equal 100 percent.

11 A Okay.

12 Q What portion of those represent
13 recovery by way of fixed rate elements --

14 A Oh, okay, I'm sorry. Looks like
15 about -- let me see.

16 Q Perhaps 55 percent fixed, 45 percent
17 volumetric, something along that line?

18 A Something along that line.

19 Q That's --

20 A That's --

21 Q -- reasonable?

22 A Yeah, from what I just calculated,
23 yes.

24 Q And Public Counsel, for its rate
25 design proposal, recommends that any revenue

1 increase authorized for the residential class be
2 recovered 100 percent for volumetric rate
3 elements; is that correct?

4 A That's my understanding of our
5 proposal, yes.

6 Q And adoption of the Public Counsel
7 proposal would therefore necessarily result in a
8 higher proportion of residential distribution
9 revenues being recovered by way of the volumetric
10 rate element in comparison to the situation
11 currently, correct?

12 A Yes, sir.

13 Q Would it be fair to say, then, that
14 the adoption of the Public Counsel rate design for
15 the residential class would increase MGE's
16 exposure to weather related revenue variability?

17 A I don't know the magnitude, but I
18 think it would.

19 Q And Public Counsel has not proposed
20 an adjustment to increase its recommended return
21 on equity to account for this greater revenue
22 variability. Is that correct?

23 A That is correct.

24 Q You have indicated in your rebuttal
25 testimony, though, that Public Counsel would

1 rather see the Commission increase MGE's
2 residential customer charge, also, or the fixed
3 monthly charge for the residential class instead
4 of any form of mitigation of weather rate design
5 for the volumetric element; is that correct?

6 A That is correct.

7 Q You've got an example on page 9 of
8 your surrebuttal testimony about a baseball team.
9 Now, baseball teams get to set their own ticket
10 prices, don't they? They don't come to this
11 Commission or any other Commission to set their
12 ticket prices.

13 A No, they do not. Maybe they should.

14 Q Maybe the Royals would be a little
15 better if they did.

16 A I was thinking of the Cardinals, but
17 that's okay.

18 Q Let me ask you this. Would you
19 think that in setting ticket prices, concession
20 prices, parking prices, that the operators of
21 those services, be it the owner of the team or the
22 stadium or the concessionaires, make projections
23 of unit sales over the course of the season?

24 A I would think that they would
25 project how many tickets they're going to sell,

1 beers they might sell.

2 Q And do you think in the course of
3 making those projections that they would account
4 for items like inclement weather that could affect
5 those unit sales over the course of the season?

6 A I don't know that they would
7 necessarily. I think they plan on playing 81
8 games at home, and they would do it based off of
9 the 81 game schedule.

10 Q Well, we're talking about unit
11 sales, though, aren't we? Number of people who
12 come to the ball game, number of people who stay
13 at the ball game.

14 A They would assume how many people --
15 the average attendance.

16 Q Sure. And you might have different
17 attendance for a Wednesday night ball game versus
18 a Friday night ball game; is that right?

19 A That depends on who was playing, but
20 yeah, that's generally true.

21 Q Sure. You probably wouldn't assume
22 that you're going to sell out every single day.
23 Correct? Every single date.

24 A Most teams that is true. I think
25 some teams probably sell out, or assume they're

1 going to sell out.

2 Q And it would probably be fair and
3 reasonable for these operators to also take into
4 account weather in the past that may have affected
5 attendance. Correct?

6 A They might. I don't know for sure.
7 They might.

8 Q Would it be reasonable for them to
9 do that?

10 A It would be reasonable I would
11 assume.

12 Q And they could adjust ticket prices
13 upward, could they not, if they believed that
14 perhaps they're not going to sell out every single
15 day. Correct?

16 A I don't necessarily know that they
17 would want to increase ticket prices if they know
18 they're not going to sell out. They might
19 decrease them to get people to show up.

20 Q But they could, could they not?

21 A They could. I am not aware of too
22 many teams that do that during the course of a
23 season. But prior to the season, they -- there
24 are various reasons why they would raise ticket
25 prices.

1 MR. HACK: Thank you.

2 JUDGE WOODRUFF: All right. I have
3 no questions from the bench. So no recross. Any
4 redirect?

5 MR. MICHEEL: No, Your Honor.

6 JUDGE WOODRUFF: Okay. Then Mr.
7 Busch, you can step down.

8 Next name on the list, then, is
9 Barbara Meisenheimer.

10 MR. MICHEEL: We would call Barbara
11 Meisenheimer, Your Honor.

12 JUDGE WOODRUFF: Thank you. And
13 you've testified previously so you're still under
14 oath as well.

15 (Witness previously sworn.)

16 BARBARA MEISENHEIMER, testified as follows:

17 DIRECT EXAMINATION BY MR. MICHEEL:

18 Q Ms. Meisenheimer, have you caused to
19 be filed your direct rate design testimony which
20 has been marked as Exhibit 208 in this case?

21 A Yes.

22 Q Have you caused to be filed your
23 rebuttal testimony which has been marked as
24 Exhibit 209 in this case?

25 A Yes.

1 Q Have you filed your surrebuttal
2 testimony which has been marked as Exhibit 210 in
3 this case?

4 A Yes.

5 Q And as it relates to the issue that
6 we're talking about today in those testimonies, do
7 you have any corrections or additions that you
8 need to make?

9 A I do.

10 Q And what are those?

11 A First of all, beginning with rate
12 design testimony.

13 Q Which piece, the direct?

14 A Yes, I'm sorry. It's Exhibit 208.
15 On page 3 in lines 14 through 17, I need to double
16 the numbers that appear. The first one appears on
17 line 14. Instead of 4.8 million, it should be 9.6
18 million. On line 15, instead of 393,000, it
19 should be 786,000. On line 16, instead of
20 861,000, it should be 1,722,000. And finally on
21 line 17, instead of 4.35 million, it should be 8.7
22 million.

23 Also on page 15 on line 2, there is
24 a D followed by the number 2.665. The 2.665
25 should be a superscript. That's all in the direct

1 testimony.

2 Q Do you have any changes to your
3 rebuttal testimony on this issue?

4 A I do. On page 18 of rebuttal
5 testimony, on line 11. The number that reads 26
6 percent should be 28.6 percent. And on page 16 at
7 the end of line 3, I would like to insert gas
8 portion of, and their. So gas portion of their.

9 MR. HACK: I'm a little bit lost on
10 this last one.

11 Q (By Mr. Micheel) Why don't you read
12 that full sentence and again say where it is.

13 A Page 16 of rebuttal testimony, on
14 line 3, it reads No. 6. MGE's proposed rate
15 design increases upward volatility of customers,
16 and I would like to add gas portion of their, and
17 that'll pick up with utility bills.

18 Q Do you have any corrections to your
19 surrebuttal testimony in this area?

20 A No, I don't.

21 Q If I asked you those questions
22 related to rate design in those three pieces of
23 testimony, those questions, would your answers be
24 the same or substantially similar?

25 A Yes, they would.

1 MR. MICHEEL: With that, Your Honor,
2 I would move the admission of those exhibits,
3 although I think she has to go tomorrow, and
4 tender Ms. Meisenheimer for cross.

5 JUDGE WOODRUFF: You're not offering
6 the revenue direct at this time; is that right?

7 MR. MICHEEL: That's correct, Your
8 Honor, I'll do that tomorrow.

9 JUDGE WOODRUFF: All right. 208 has
10 been offered and 209 and 210. Are there any
11 objections to their receipt? Hearing none, they
12 will be received into evidence.

13 And for cross examination, we begin
14 with Staff.

15 CROSS EXAMINATION BY MR. SCHWARZ:

16 Q Good afternoon.

17 A Good afternoon.

18 Q Do you happen to have with you Dr.
19 Cummings' rebuttal testimony?

20 A I think that I do. Yes, I do.

21 Q Take a look at page 24, if you
22 would. Are you at page 24?

23 A Yes, I am.

24 Q Um, on line 11, he says furthermore,
25 by not attributing any of the mains investment as

1 customer driven, the OPC study shifts costs away
2 from the residential class toward other classes
3 compared to either my study or the Staff's study.
4 Do you see that?

5 A Yes.

6 Q And would you agree with that?

7 A I would -- I would agree that that
8 is based on my understanding the result of the
9 study.

10 Q Right. And mains is a big component
11 of -- of --

12 A Yes.

13 Q -- the rates. Yeah. All right.
14 Well, I'm going to ask you to assume that the
15 Commission decides to reduce MGE's volumetric risk
16 exposure. Would you agree that an increase in the
17 monthly customer charge would be easier to
18 implement than a weather mitigation design?

19 MR. HACK: Objection, requires
20 speculation on the part of the witness, no
21 foundation as to whether she would have any idea
22 about how to answer this question.

23 JUDGE WOODRUFF: I'll overrule the
24 objection. You may answer.

25 THE WITNESS: Can you please ask the

1 question again.

2 Q (By Mr. Schwarz) Assuming that the
3 Commission decides to reduce MGE's volumetric risk
4 exposure, that's the assumption, would you agree
5 that an increase in the monthly customer charge
6 would be easier to implement than a weather
7 mitigation rate design?

8 A Easier in what sense, please?

9 Q As -- as far as computation and
10 calculation.

11 A Including all potential adjustments
12 to both non-gas and gas rates?

13 Q We're not talking about gas rates.
14 We're just talking about the weather -- strike
15 that. Yes.

16 A Then yes, it would be easier.

17 Q Do you think -- strike that.

18 Do you think you would find it
19 easier to explain a change in the customer charge
20 to a residential customer, OPC's clients, or the
21 operation of the weather mitigation rate design
22 proposed by MGE?

23 A I would find it difficult to explain
24 either since I don't think either is appropriate.

25 Q Would you explain to me what the

1 customer charge is? Monthly customer charge?

2 A The monthly customer charge is a
3 mandatory flat rate amount that a customer must
4 pay to maintain service.

5 Q Would you explain or describe MGE's
6 weather mitigation rate design?

7 A MGE's weather mitigation rate design
8 includes two components. One component proposes
9 certain rates with respect to non-gas cost. In
10 addition, there is a component that would adjust
11 as well the PGA rates that are charged during the
12 same time frame.

13 Q And how -- how do those interrelate?

14 A Well, in my opinion, the non-gas
15 rates would actually collect more in cost, while
16 the gas costs would collect less in cost. And
17 then eventually there would have to be -- or there
18 could be some type of adjustment where the Company
19 could come back and seek recovery of the gas costs
20 that they didn't get during regular year.

21 Q And given that --

22 MR. SCHWARZ: Well, nevermind.
23 That's fine. That's all I have.

24 JUDGE WOODRUFF: Okay. Kansas City
25 and Joplin are not here. Federal Agencies?

1 MAJOR PAULSON: No questions, sir.

2 JUDGE WOODRUFF: Midwest Gas?

3 CROSS EXAMINATION BY MR. CONRAD:

4 Q Good afternoon.

5 A Good afternoon, Mr. Conrad.

6 Q Do you -- did I understand from the
7 exchange that just went forth with Staff Counsel
8 that you have had some work in the weather area of
9 this case, some aspects of that that you worked
10 in?

11 A Can you be more specific with re --
12 weather seems to impact numerous areas.

13 Q Okay. You were opining as to your
14 examination of the Company's proposed weather
15 normalized bill, or whatever they called it, did I
16 use the correct terminology? And comparing that
17 to what Staff Counsel was asking you about an
18 increase?

19 A The work that I did with respect to
20 potential -- actually differences in weather was
21 related to differences in usage that was discussed
22 in my testimony related to what do I think will
23 happen with residential bills under 10 percent or
24 20 percent different usage levels than the normal
25 usage levels that were originally provided in the