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PUBLIC SERVICE COMMISSION

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TRANSCRIPT OF PROCEEDINGS

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Hearing

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August 29, 2006

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Jefferson City, Missouri

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In the Matter of Missouri     )  
Gas Energy's Purchased Gas     )  
Adjustment (PGA) Factors       )  
to be Audited in Its            )Case No. GR2003-0330 et al.  
2002-2003 Actual Cost         )  
Adjustment                     )

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MORRIS L. WOODRUFF, Presiding,  
DEPUTY CHIEF REGULATORY LAW JUDGE  
JEFF DAVIS, Chairman,  
CONNIE MURRAY,  
STEVE GAW,  
ROBERT M. CLAYTON III  
LINWARD "LIN" APPLING,  
COMMISSIONERS.

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REPORTED BY:

24

PAMELA FICK, RMR, RPR, CCR #447, CSR  
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1 P R O C E E D I N G S

2 JUDGE WOODRUFF: Let's come to order,  
3 please. All right. Welcome back for day two in the  
4 hearing in Case No. GR-2003-0330. We'll begin by --  
5 I believe the next order of business would be  
6 testimony of Lesa Jenkins.

7 MR. REED: Yes, your Honor. The Staff  
8 calls Lesa Jenkins.

9 (The witness was sworn.)

10 JUDGE WOODRUFF: You may be seated and  
11 you may inquire.

12 MR. REED: Thank you, Judge.

13 DIRECT EXAMINATION BY MR. REED:

14 Q. Ms. Jenkins, state your full name for  
15 us.

16 A. Lesa Jenkins.

17 Q. How are you employed?

18 A. I'm employed with the Public Service  
19 Commission in the Procurement Analysis Department.

20 Q. Ms. Jenkins, did you prepare testimony  
21 for this case including direct, rebuttal and  
22 surrebuttal marked as Exhibits 7, 8 and 9, HC and NP?

23 A. Yes, I did.

24 Q. Do you have any changes or corrections  
25 to that testimony?

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1           A.       No.

2                   MR. REED:  At this time, your Honor, I  
3 would offer Exhibits 7, 8 and 9-HC and NP.

4                   JUDGE WOODRUFF:  All right.  Exhibits 7,  
5 8 and 9-HC and NP have been offered into evidence.  
6 Any objections to their receipt?

7                   MR. DUFFY:  No objection, your Honor.

8                   JUDGE WOODRUFF:  All right.  They will  
9 be received into evidence.

10                   (EXHIBIT NOS. 7-HC, 7-NP, 8-HC, 8-NP,  
11 9-HC AND 9-NP WERE RECEIVED INTO EVIDENCE AND MADE A  
12 PART OF THE RECORD.)

13                   MR. REED:  And with that, Judge, I'll  
14 offer the witness for cross-examination.

15                   JUDGE WOODRUFF:  Thank you.  For  
16 cross-examination, we begin with Public Counsel.

17                   MR. POSTEN:  No questions, thank you.

18                   JUDGE WOODRUFF:  All right.  End Bridge  
19 Pipelines, I believe, is not here again today, so we  
20 go to MGE.

21 CROSS-EXAMINATION BY MR. DUFFY:

22           Q.       Good morning, Ms. Jenkins.

23           A.       Good morning.

24           Q.       Let's look at your direct testimony,  
25 Exhibit 7 first, page 2, line 9.  Are you there?

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1           A.       Yes.

2           Q.       You say there that, "The purpose of my  
3 review is to assure that natural gas companies use  
4 current, reliable data and reasonable methods to  
5 determine the maximum amount of gas the company might  
6 need on a peak day." Did I read that correctly?

7           A.       Yes.

8           Q.       That's your testimony?

9           A.       Yes.

10          Q.       You used the term "reasonable methods"  
11 there. Does that mean there can be more than one  
12 reasonable method?

13          A.       Yes.

14          Q.       Does each gas company in the state of  
15 Missouri use the same method?

16          A.       Not the exact same method, no.

17          Q.       Let's look at page 16 -- excuse me,  
18 page 29 of your direct, line 16. That says,  
19 "Imprudent decision for 2001-2002 ACA, 2002-2003 ACA,"  
20 right?

21          A.       Yes.

22          Q.       And in the fourth line of that  
23 discussion under that heading, lines 20 -- or  
24 line 20, you refer to a contract with a gas company  
25 that we've called Pony Express in this proceeding

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1     because it's had different names over time; is that  
2     right?

3             A.       Yes.

4             Q.       And then in the next line you refer to  
5     contracts, what's on the Southern Star system that  
6     we've talked about in this case; is that right?

7             A.       Yes.

8             Q.       Let's look at your surrebuttal  
9     testimony, page 14. Starting on line 14 on page 14  
10    of your surrebuttal, you say, "Staff does not state  
11    that the" -- and I'm gonna insert the word Pony  
12    Express for what's there -- "decision was imprudent.  
13    Staff has not suggested that the decision in 1996  
14    should have been different." Was that your testimony  
15    except for that substitution I made?

16            A.       Yes.

17            Q.       MGE sent you a data request where it  
18    asked for an interpretation on what you meant by the  
19    decision not being imprudent, and you provided a  
20    response to that on August 22nd. Do you remember  
21    that?

22            A.       Yes.

23                    MR. REED: Is that '06, Mr. Duffy? You  
24    said "August 22nd."

25                    MR. DUFFY: Yeah, of this year.

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1 JUDGE WOODRUFF: Do you wish to mark  
2 this as an exhibit?

3 MR. DUFFY: Yes, your Honor.

4 JUDGE WOODRUFF: It will be 11-HC.

5 (EXHIBIT NO. 11-HC WAS MARKED FOR  
6 IDENTIFICATION BY THE COURT REPORTER.)

7 BY MR. DUFFY:

8 Q. Have you had a chance to look at that  
9 document I've handed you which has been marked for  
10 purposes of identification as Exhibit 11-HC?

11 A. Generally, yes.

12 Q. Does that appear to be a fair and  
13 accurate representation of the data request we sent  
14 and the response you gave?

15 A. Yes.

16 MR. DUFFY: Your Honor, I'd like to  
17 offer into evidence Exhibit 11-HC at this time.

18 JUDGE WOODRUFF: Exhibit 11-HC has been  
19 offered into evidence. Are there any objections to  
20 its receipt?

21 MR. REED: No, Judge.

22 JUDGE WOODRUFF: All right. It will be  
23 admitted into evidence.

24 (EXHIBIT NO. 11-HC WAS RECEIVED INTO  
25 EVIDENCE AND MADE A PART OF THE RECORD.)

1 BY MR. DUFFY:

2 Q. In that request that's shown on  
3 Exhibit 11-HC, and I'm gonna try to avoid anything  
4 that's HC on here, in the question part A we referred  
5 back to that surrebuttal testimony we just talked  
6 about and we said, "Based on that testimony, is it  
7 fair to say that Staff does not consider the" -- and  
8 I'll say Pony Express contract -- "to be imprudent?"  
9 Is that the question we asked?

10 A. Yes.

11 Q. And in your response to that, to part A,  
12 the first word in that response is "No"; is that  
13 right?

14 A. Yes.

15 Q. And then part B of the question, we  
16 turned the part A question around and we say, okay,  
17 "Based on that same reference testimony, is it also  
18 fair to say that the Staff considers" -- and I'll say  
19 Pony Express contract -- "to be prudent?" Was that  
20 our question?

21 A. Yes.

22 Q. And your response was, "Please see  
23 response to part A"; is that right?

24 A. Yes.

25 Q. So when we asked whether Pony Express



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1 was not imprudent, you said, "No," and then when we  
2 asked whether it was prudent, you said, "No" again.  
3 So isn't it true that in that response you've told  
4 MGE that it was not imprudent and not prudent at the  
5 same time?

6 A. No. The response goes on to explain the  
7 imprudent -- or not imprudent piece. I was looking  
8 at that contract in the context of this case, in the  
9 context of the excess capacity issue.

10 I was not looking at that contract for  
11 every other possible things that could possibly make  
12 it prudent or imprudent, and I don't -- I have not  
13 reviewed it in that context to know that the entire  
14 contract was prudent for every conceivable question.

15 JUDGE WOODRUFF: Ms. Jenkins, if you'd  
16 speak into the microphone. We're having a hard time.

17 THE WITNESS: Okay.

18 BY MR. DUFFY:

19 Q. On the exact same day, August 22nd of  
20 2006 that you gave us that response, the Staff  
21 prehearing brief was filed and it says on page 13,  
22 after referring to both the Pony Express and the  
23 Southern Star contract decisions that, quote, Staff  
24 contends that the latter decision was imprudent,  
25 unquote.

1                   The reference in the Staff brief to the  
2   latter decision refers to Southern Star, does it not?

3           A.       Yes.

4           Q.       There is no place in the Staff  
5   prehearing brief where it says the Pony Express  
6   decision was imprudent; is that right?

7           A.       That's correct.

8           Q.       So the Pony Express decision is not an  
9   issue in this proceeding?

10          A.       I'd like to clarify my response.  It's  
11   not an issue except for the fact that the increased  
12   capacity had to be considered in the ACA period.  So  
13   in the context in that -- when you're looking at the  
14   capacity that's available for a peak day, you have to  
15   look at all the contracts.

16                   There are other contracts as well, more  
17   than just the two that you mentioned also.  You have  
18   to consider all of those contracts and the capacity  
19   associated with those.  In that sense it's an issue  
20   in this case, but otherwise, no.

21          Q.       So it's fair to say that the Staff is  
22   not challenging the prudence of the Pony Express  
23   decision and contract in this case?

24          A.       Yes.

25          Q.       Does that mean that the Staff considers

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1 the Pony Express contract and decision to have been  
2 prudent at the time it was made?

3 MR. REED: Objection. Asked and  
4 answered, your Honor.

5 MR. DUFFY: It's a different question,  
6 your Honor.

7 JUDGE WOODRUFF: I'll overrule the  
8 objection. Go ahead and answer.

9 THE WITNESS: As I stated before, I  
10 reviewed it in the context of the issue in this case,  
11 excess capacity. There's a lot more provisions in a  
12 contract than just the MDQ that's associated with a  
13 peak day.

14 BY MR. DUFFY:

15 Q. Okay. What I'm trying to get at is have  
16 we put the Pony Express contract and decision to bed  
17 for all time or is there a possibility the Staff will  
18 raise prudence questions about it in future ACA's?

19 A. I don't know. I mean, if there's  
20 issues, they may come up, but in respect to this  
21 excess capacity issue, it's not an issue.

22 I haven't pursued it for either the  
23 2001-2002 or 2002-2003 period, and you know a Staff  
24 rec was filed in the subsequent ACA as well, the '03  
25 and '04, and I have not raised it as an issue in that

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1 case either.

2 Q. And you're the person who would be most  
3 likely to raise it on the Staff if something were to  
4 be raised; is that right?

5 A. Related to excess capacity, yes.

6 Q. Or related to anything else with regard  
7 to prudence?

8 A. No. Sometimes the accountants raise  
9 issues related to prudence. Sometimes the economist  
10 in our group raises issues to prudence.

11 Q. So MGE still faces the risk regarding a  
12 1996 decision that took place in 2001 that at some  
13 time in the future someone on the Staff will argue  
14 that that was imprudent, is that what you're telling  
15 me, because of the qualifications you've put on your  
16 answers?

17 A. Yes.

18 Q. Now, since the Staff brief referred to  
19 the latter decision as being imprudent and you'd said  
20 that was Southern Star, then that essentially means  
21 the Staff -- well, I'm sorry. I'll withdraw that and  
22 we'll back up.

23 The 2001 Southern Star contract that  
24 we're talking about here did not increase the overall  
25 capacity level that previously existed prior to the

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1 2001 change; is that correct?

2 A. That's correct.

3 Q. Okay. So does that essentially mean  
4 that the Staff is saying because it's alleging that  
5 the Southern Star contract is imprudent in this case,  
6 that instead of leaving the capacity level where it  
7 was in 2001, that MGE should have instead reduced  
8 that capacity by 60,000 decatherms a day?

9 A. That's one option that could have been  
10 pursued, yes.

11 Q. Does your approach assume that that  
12 60,000 decatherms a day is coming out of the Southern  
13 Star capacity -- Southern Star contract production  
14 area or the market area?

15 A. The market area.

16 Q. So all of the 60,000 will have to come  
17 from a market area?

18 A. Yes.

19 Q. So just in summary, it's fair to say the  
20 only capacity contract decision being challenged by  
21 Staff on the basis of imprudence in this proceeding  
22 is this 2001 Southern Star contract decision?

23 A. Yes.

24 Q. The negotiations on that began in the  
25 fall of 2000 and continued through the spring of

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1 2001?

2 A. I'm aware that they generally occurred  
3 in the spring. I don't recall the fall. I have no  
4 reason to doubt that.

5 Q. The result of that, again, strictly from  
6 a capacity standpoint, is that the capacity level  
7 stayed the same as it was previously?

8 A. Yes.

9 Q. The Southern Star capacity is a low-cost  
10 pipeline capacity in the MGE portfolio except for  
11 Panhandle Eastern which serves only one of the three  
12 areas and has limited deliverability?

13 A. It serves one of the areas. I'm not  
14 sure what you mean by "limited deliverability."

15 Q. It's not readily scalable up in terms of  
16 being able to get more capacity out of what's already  
17 there?

18 A. Like the other contracts, it has an MDQ  
19 associated with it, maximum daily quantity. So in  
20 that sense, no, it couldn't be just scaled up  
21 arbitrarily above that number.

22 Q. In 2001, the Southern Star pipeline was  
23 fully subscribed or, in other words, there was no  
24 additional capacity available on it?

25 A. That's correct. That's my

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1 understanding.

2 Q. And in 2001 there was no indication from  
3 Southern Star that you're aware of that Southern Star  
4 was going to add to its capacity in any location  
5 along the route that would have been beneficial to  
6 MGE?

7 A. I -- I know that Southern Star was in  
8 here and they had been talking with us about  
9 capacity. I don't remember the exact time frame, so  
10 I can't answer that question.

11 Q. The renegotiated Southern Star contract  
12 added flexibility to the MGE portfolio?

13 A. Yes.

14 Q. Let's look at your surrebuttal, page 4,  
15 please. Starting on line 13 there's a sentence that  
16 says, "Staff's concern is that MGE did not use the  
17 information that it had and unreasonably increased  
18 capacity without adequate evaluation with the data."  
19 Did I read that correctly?

20 A. Yes.

21 Q. Please turn to page 42 of your  
22 surrebuttal. Take a look at that chart that you have  
23 there. I'm focusing on the -- there's no line  
24 numbers for the chart. I'm focusing on the line that  
25 says "total," the next-to-the-last one. And does

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1 that indicate that the total level of capacity on  
2 Southern Star for both of those two ACA periods is  
3 exactly the same?

4 A. Yes.

5 Q. Did MGE increase its pipeline capacity  
6 in 2000?

7 A. I don't recall. I don't think I have  
8 that in here that it increased from 2000 -- 2001 to  
9 the next year, to 2001-2002.

10 Q. I'm sorry. I don't understand your answer.

11 A. I guess the question was did it increase  
12 from '99 to 2000 --

13 Q. No. Did MGE -- did MGE increase its  
14 pipeline capacity in calendar year 2000?

15 A. I don't recall.

16 Q. Other than the Pony Express increase in  
17 calendar year 2001 which we've talked about, did MGE  
18 increase any of its other pipeline capacity in 2001?

19 A. No.

20 Q. Did MGE increase its pipeline capacity  
21 in calendar year 2002?

22 A. No.

23 Q. Did MGE increase its pipeline capacity  
24 in 2003, calendar year?

25 A. No.



1           Q.       So when you alleged in your surrebuttal  
2   that MGE unreasonably increased capacity without  
3   adequate evaluation of data at the time, what  
4   capacity increase were you talking about?

5           A.       The contracts were restructured and  
6   continued on for an extended period of time.  You're  
7   correct, the total capacity did not change in those  
8   years but the contracts were restructured and the  
9   term was changed and the provisions of those  
10  contracts were changed.

11          Q.       So you misspoke when you talked about an  
12  increase in capacity there?

13          A.       It has to be taken in context, yes.  In  
14  that context, the total did not increase other than  
15  the one pipeline that we were talking about, the Pony  
16  Express.

17          Q.       But the Staff's not challenging that and  
18  you've indicated that had to be taken as a given in  
19  the negotiations, right?

20          A.       Well, except for when you're looking at  
21  the total, the total does increase for that period.  
22  The contract themselves, that Southern Star contract  
23  did not increase, but the total did increase.

24          Q.       Let's look at page 11 of your  
25  surrebuttal.  Starting at the end of line 1, you

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1 state, "Thus, MGE must conduct long-range supply  
2 planning in a reasonable manner and make prudent  
3 decisions using the information generated from its  
4 planning activities." Did I read that correctly?

5 A. What line were you on again, please?

6 Q. I'm starting at the very end of line 1  
7 on page 11. Do you want me to read it again?

8 A. Yes, please.

9 Q. "Thus, MGE must conduct long-range  
10 supply planning in a reasonable manner and make  
11 prudent decisions using the information generated  
12 from its planning activities."

13 A. That's what it says.

14 Q. MGE filed its 2001-2002 reliability  
15 report on July 1, 2001; is that right? That's shown  
16 in schedule DNK-9.

17 A. Yes. That's the date on it. It doesn't  
18 have a file date on it, but it's dated July 1.

19 Q. It would have been filed around about  
20 that time?

21 A. About that time.

22 Q. So the long-range supply plan produced  
23 by and available to MGE at the time of the Southern  
24 Star contract negotiations would have been that  
25 2000-2001 reliability report dated July 1, 2001?

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1     Excuse me.   July 1, 2000.

2           A.       That's a report that was available.  I  
3     don't -- I don't know if they did any other analyses  
4     after that report was done while they were doing  
5     those negotiations.

6           Q.       Okay.  But that one -- that one would  
7     have been the most recent completed one at the time  
8     they were conducting the negotiations in the fall of  
9     2000 and the spring of 2001?

10          A.       Yes.

11          Q.       And you would agree with me generally  
12     that the actual decision that MGE made with regard to  
13     the Southern Star contract had to have been made  
14     sometime prior to the contract effective date and the  
15     signing of June 15th, 2001?

16          A.       Yes.

17          Q.       Because you decide -- most prudent  
18     people would make their decisions before they sign  
19     the contract?

20          A.       Yes.

21          Q.       Now, the next reliability report,  
22     2001-2002, wasn't filed until July -- or the date on  
23     it was -- is July 1, 2001, several weeks after the  
24     contract was signed; is that right?

25          A.       That's the date on it.

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1           Q.       Your name is on the Staff memo that was  
2   filed on November 27th, 2001 in Case Number GR-2000-425  
3   and that memo was shown in schedule DNK-6; is that  
4   right?

5           A.       I don't have Mr. Kirkland's testimony.

6                   MR. DUFFY:   May I approach?

7                   JUDGE WOODRUFF:   You may.

8   BY MR. DUFFY:

9           Q.       I want to show you Mr. Kirkland's  
10   direct, part 2 of 3, schedule DNK-6, looks like  
11   page 2 of that.   Is that a Staff memorandum dated  
12   November 27th, 2001 relating to the 1999-2000 actual  
13   cost adjustment with your name on it?

14          A.       Yes.

15                  MR. DUFFY:   Could you supply her with a  
16   copy of that?   Because I've got a couple of questions  
17   I want to ask her.   This is part 2 of 3.

18                  MR. REED:   Tell me where it is again.

19                  MR. DUFFY:   It's part 2 of 3 and it is  
20   about halfway through -- it's in schedule DNK-6 and  
21   it's numbered page 000002 or 3.   Do you want me to  
22   help you find it?

23                  MR. REED:   Yeah.   And that's the NP  
24   version.

25                  MR. DUFFY:   Oh, and you've got the wrong

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1 one. HC version, part 2.

2 BY MR. DUFFY:

3 Q. Okay. Just so we're sure, you're  
4 looking at Staff memo, Case Number GR-2000-425 dated  
5 November 27th, 2001?

6 A. That's not the page I'm on here. It  
7 says "August 1 of 2000."

8 Q. Okay. There we go. I'm sorry about  
9 that. Okay. We'll try once more. You now have in  
10 front of you a Staff memo dated November 27th, 2001,  
11 reflecting the Staff's recommendation in the  
12 1999-2000 ACA?

13 A. Yes.

14 Q. And your name is on that filing; is that  
15 correct?

16 A. Yes.

17 Q. Now, on the next page, which I believe  
18 is designated page 000003 which, in fact, is page 2  
19 of 3 of the memo, do you see a heading called  
20 "Reliability Analysis"?

21 A. Yes.

22 Q. In the last paragraph of the Reliability  
23 Analysis section, the memo refers specifically to the  
24 2000-2001 reliability report that MGE filed; is that  
25 right?

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1           A.       Say that again, please.

2           Q.       Look at the last paragraph under the  
3 heading "Reliability Analysis."

4           A.       Yes.

5           Q.       In the first sentence of that last  
6 paragraph it refers to the 2000-2001 reliability  
7 report that MGE filed.

8           A.       Yes.

9           Q.       Take a minute and read that last  
10 paragraph, if you would, to yourself, and then let me  
11 know when you're ready.

12          A.       Okay.

13          Q.       That paragraph of the memo dated  
14 November 27th, 2001, indicates or states that the  
15 Staff does not think that new capacity will be needed  
16 as soon as MGE forecasted; is that fair to say?

17          A.       What that means is based on the  
18 reliability report and looking at the numbers that  
19 MGE provided, it didn't support the data they said  
20 but supported this other data. I did not run a  
21 separate analysis on this because I could not get the  
22 data from MGE.

23          Q.       Well, let's just read out loud what that  
24 par -- what that one-sentence paragraph says. Could  
25 you read that out loud, please?

1           A.        "In the 2000-2001 reliability report,  
2   the company states that additional capacity is needed  
3   prior to 2003-2004.  However, Staff's review of the  
4   peak day estimates and capacity shows that additional  
5   capacity is not needed until 2005-2006."

6           Q.        Okay.  This memo, then, would have been  
7   filed some five or six months after MGE had decided  
8   to consolidate the Southern Star contracts; is that  
9   right?

10          A.        Yes, that's the nature of the ACA  
11   process.

12          Q.        And this -- this memo in November --  
13   dated November 27, 2001 would have examined  
14   essentially the same data that MGE had when it was  
15   evaluating what to do with the Southern Star  
16   contracts five or six months previously; is that  
17   correct?

18          A.        No.  I could not get that data from MGE  
19   and I've noted that in the Staff recommendations.  I  
20   simply evaluated what was in the reliability report  
21   absent being able to obtain that data from MGE.

22          Q.        There's no mention in this November 27,  
23   2001 memo that the staff wants MGE to reduce capacity  
24   on Southern Star, is there?

25          A.        No.

0183

1           Q.       Now, prior to November 27, 2001, there  
2   was an August 1, 2000 memo from Staff addressing the  
3   1998-1999 MGE reliability report; is that right? I  
4   think that's the one that we mistakenly looked at  
5   before because it's schedule DNK-5 just a few pages  
6   back.

7           A.       Dated August 1st, 2000, that's correct.

8           Q.       Okay. Do you want to take a look at  
9   that one, please?

10          A.       Any particular page?

11          Q.       It's in schedule DNK-5 which should be a  
12   few pages further towards the front in that, and I'm  
13   looking at what's marked as 000003. It's in Staff  
14   memorandums and case file dated August 1, 2000. Do  
15   you have that?

16          A.       Yes.

17          Q.       Okay. Now, this memo was related to  
18   Case GR-99-304, and as I said, relates to the '98-'99  
19   ACA proceedings; is that right?

20          A.       Yes.

21          Q.       And your name is on this memo also; is  
22   that right?

23          A.       Yes.

24          Q.       Now, this memo on that same page 3 in  
25   the second paragraph of the text, it says, "In



1 addition, Staff conducted a reliability analysis for  
2 the MGE distribution system including a review of MGE  
3 information regarding A, estimated peak day  
4 requirements and the capacity levels to meet those  
5 requirements; B, peak day reserve margin; and the  
6 rationale for this reserve margin, and C, annual  
7 estimated demand. No concerns are noted at this  
8 time." Did I read that correctly?

9 A. Yes.

10 Q. Is it reasonable to assume that the  
11 phrase "no concerns" means that the Staff, as of  
12 August 1, 2000, was not recommending that Southern  
13 Star capacity be reduced?

14 A. No, that's not reasonable.

15 Q. Okay. Do you think it was reasonable  
16 for MGE to rely upon the Staff's assessment that no  
17 concerns were noted at this time when it was  
18 negotiating the Southern Star capacity contract?

19 A. I don't know that they rely on anything  
20 we say when they're negotiating the contracts. As I  
21 said in my DR response, when the company --

22 Q. Ma'am, I asked you whether you thought  
23 it was reasonable for MGE to rely upon what the Staff  
24 said in this memorandum.

25 A. It says what it says.

1           Q.       Now, you commented in your surrebuttal  
2   on page 37 -- well, help me out.  There was someplace  
3   in your surrebuttal where you talked about this and  
4   you said, "When first employed at the PSC, I spent  
5   much time reviewing the general plans or lack of  
6   plans of each LDC and in some cases reviewing in  
7   LDC's plans that varied depending on the particular  
8   service area.  My review and comments of the '98-'99  
9   ACA reviews concentrated on the general plan or lack  
10  of a plan."  Can you show me where you said that in  
11  your surrebuttal?  Because I must have --

12          A.       Bottom of page 37 and the top of page  
13  38.

14          Q.       Okay.  Thank you.  Now, there's no place  
15  in the memorandum itself that said that -- that  
16  qualified the Staff's statement that no concerns were  
17  noted at this time by your qualification that the  
18  review is only of a general plan; is that right?

19          A.       That's correct.

20          Q.       And when you said "general plan," were  
21  you referring to the '98-'99 reliability report that  
22  was filed by MGE?

23          A.       Yes.

24          Q.       That's about a 135-or-so-page document;  
25  is that right?

0186

1           A.       I don't have it with me so I don't -- I  
2   don't know. I don't recall.

3           Q.       Does that sound unreasonable to you?  
4   Wasn't that about the same size of most of them?

5           A.       I don't know. The earliest one I have  
6   is 2000-2001, and it's not that thick.

7           Q.       Well, let's just -- well, it's schedule  
8   DNK-4 which should appear right before DNK-5 that we  
9   were just looking at. And I think you'll find  
10  there's page numbers going up to about 135 or so. If  
11  it helps you, it starts on the -- at the first page  
12  in part of that document that you have in front of  
13  you.

14          A.       Yes.

15          Q.       Okay. Now, that document was also  
16  reviewed by another Staff member in a memo dated  
17  May 28th, 1998 that appears on page 136 of what we  
18  just looked at, one page after the end of the report  
19  itself; is that right?

20          A.       No. The memo says that they're looking  
21  at the '97-'98 report, not the '98-'99 report.

22          Q.       Okay. So that would have been the  
23  preceding one?

24          A.       Yes.

25          Q.       Nevertheless, does that one say that

0187

1     there was a review of that one and everything was  
2     adequate?

3             A.       It lists sections of the report and the  
4     Staff response says "Adequate."

5             Q.       Okay. And even though it may have  
6     referred to the wrong one here, there was another  
7     Staff memo after this one referring to the report  
8     that I should have referred to, and that Staff memo  
9     said everything was adequate too; isn't that right?

10            A.       No. There were two Staff memos before  
11    this. I have not been able to locate any Staff memo  
12    for the '98-'99 report.

13            Q.       Okay. Let's go back to the August 1,  
14    2000 memo. That's schedule DNK-5, page 3.

15                    MR. REED: Did you say 3 or 30?

16                    MR. DUFFY: 3, the one that says, "No  
17    concerns were noted at this time" that we looked at  
18    just before.

19                    THE WITNESS: It's gonna take me a  
20    minute. The November 27th?

21    BY MR. DUFFY:

22            Q.       No, August 1, 2000. It should be right  
23    before.

24            A.       Okay.

25            Q.       Okay. With that in mind and referring

1 back to your surrebuttal that we talked about before,  
2 you were commenting that you had just been recently  
3 hired by the Public Service Commission in this time  
4 frame and you said -- you said when you were first  
5 employed you spent time reviewing the general plans  
6 and that your knowledge of LDC practices has  
7 increased over time; is that correct?

8 A. Yes.

9 Q. Was there something in the phrase, "No  
10 concerns were noted at this time" that should have  
11 alerted MGE to the fact that this was only your first  
12 year of employment and you were only doing general  
13 reviews?

14 A. I know that MGE was aware that I had  
15 just been hired. As far as whether they knew I was  
16 doing general reviews, I don't know.

17 Q. Do you agree as you state in your  
18 surrebuttal that pipeline capacity decisions should  
19 be based on numerous factors and considerations and  
20 should be evaluated and considered prior to making  
21 contract decisions?

22 A. Yes.

23 Q. And "numerous" means many, very many?

24 A. Yes.

25 Q. And to plan to address numerous factors

0189

1     such as that would take time and expertise?

2             A.       Yes.

3             Q.       Were you an expert on design day demand  
4     analysis when you were hired by the Public Service  
5     Commission?

6             A.       I had general knowledge. I would not  
7     say that I was an expert when I was first hired.

8             Q.       Were you an expert on design day  
9     analysis on the first day you reported for work at  
10    the PSC in November of 1999?

11            MR. REED: Your Honor, I do want to  
12    lodge an objection to these questions because I think  
13    the issue of whether a person is an expert is really  
14    up to the Finder of Fact. Either an individual is  
15    qualified to testify or he or she is not. The Finder  
16    of Fact determines whether that person is an expert.  
17    There's no particular finding or testimony by the  
18    witness, him or herself, about whether that person is  
19    an expert.

20            MR. DUFFY: I'll rephrase the question.

21            JUDGE WOODRUFF: Go ahead.

22    BY MR. DUFFY:

23            Q.       Did you consider yourself an expert on  
24    design day demand analysis on the first day you  
25    reported for work at the PSC in November of 1999?

0190

1           A.       I had more knowledge than the general  
2   public, I had a background in energy efficiency, I  
3   had a background with energy regulation, and in that  
4   sense I had more experience than the general public.  
5   Was I the expert on demand day analysis at that time?  
6   No.

7           Q.       Had you done a demand day -- a design  
8   day demand analysis prior to your first day of work  
9   at the Public Service Commission?

10          A.       No.

11          Q.       Did you consider yourself an expert on  
12   design day demand analysis when you initialed this  
13   Staff memo dated August 1, 2000?

14          A.       As I understand what is called an expert  
15   here at the Commission, yes. I was informed that if  
16   I have a general knowledge above the general public,  
17   I had a general understanding of what the company was  
18   doing versus the general public did not. I had a  
19   general understanding, a good understanding of  
20   statistics and statistical methods, so in that sense,  
21   yes.

22          Q.       So on August 1, 2000 when you signed off  
23   on this memo saying, "No concerns were noted at this  
24   time," that was your expert opinion at that time?

25          A.       Based on the review that I was limited

0191

1 to doing at that time because of other pressing  
2 matters, yes. I was not focusing on MGE at that  
3 time. They had a reliability report, whereas other  
4 companies had no such thing.

5 Q. Now, you were hired sometime late  
6 November '99; is that right?

7 A. That's correct.

8 Q. This memo's dated August 1, 2000. Can  
9 you tell me approximately when between late November  
10 of '99 and August 1 of 2000 you achieved a level of  
11 expertise that made you consider yourself an expert?

12 A. I began reviewing all the companies'  
13 reliability reports, I began reviewing information  
14 from other states. In that sense I thought I had a  
15 good understanding of what practices were in this  
16 state and in some of the other states.

17 Q. Did it take you a month, two months, six  
18 months? How long did it take you where you  
19 considered yourself an expert?

20 A. I don't recall.

21 Q. Let's look at your surrebuttal, page 15,  
22 please. Beginning on line 5 toward the end, you  
23 say that -- or you're quoting your direct testimony.  
24 You say that, "Staff reviews the reasonableness of  
25 the assumptions the company uses for estimating how



0192

1 much natural gas customers may actually use, the  
2 demand requirements, analyzes the company's  
3 estimating tools, reviews and analyzes transportation  
4 capacity, storage, peaking and supply resources  
5 utilized by the companies, reviews and analyzes  
6 company base load and other gas supply requirements  
7 and reviews and analyzes any reasons the company may  
8 have for pipeline capacity levels greater than  
9 reasonable estimated peak day requirements.

10 "For the MGE analysis, Staff considered  
11 each of these items. The analysis also included  
12 review of customer growth, the expiration date of  
13 contracts, acquisition of capacity in chunks," paren,  
14 "acquisition of blocks of capacity for contracting  
15 purposes that do not correspond perfectly with  
16 current demand," closed parentheses, "carrying cost  
17 of excess reserve, the selection of peak cold day and  
18 the flexibility of MGE's contract/resources." Did I  
19 read that correctly?

20 A. Yes.

21 Q. You did not mention reliability of  
22 service to the customers in the factors you  
23 considered. Did you consider reliability of service  
24 to customers in developing your recommended  
25 disallowance?

1           A.       In an overall sense. I don't monitor  
2   their particular reliability that the company might  
3   have to every residence, no.

4           Q.       So it's fair to say you didn't take into  
5   account reliability of service in your analysis based  
6   on your answer?

7           A.       No.

8           Q.       So you did take reliability of service  
9   into account?

10          A.       Overall, as far as what the company was  
11   able to provide for service for that -- those three  
12   areas, the Kansas City, Joplin and St. Joseph areas.

13          Q.       Did you consider supply contingencies  
14   such as natural gas well freeze-offs or pipeline and  
15   compressor station operational failures?

16          A.       I considered what the company provided  
17   in its reliability report and what it provided in its  
18   DR responses. It did not do any planning that would  
19   have allowed for redundant capacity in those events.  
20   It did not bring those up as a reason to have  
21   additional capacity.

22          Q.       So you didn't do any independent  
23   analysis on your own, then?

24          A.       For well freeze-offs, no.

25          Q.       And compressor failures?

0194

1           A.       No.

2           Q.       Supply -- and other supply  
3 contingencies?

4           A.       As far as other supply contingencies,  
5 that's not part of the capacity planning. How they  
6 acquire their supply and which suppliers they use and  
7 whether they use marketers, it's a different issue.

8           Q.       But what -- the title of what MGE files  
9 is a reliability report, isn't it?

10          A.       Yes.

11          Q.       And Staff and the Commission were  
12 concerned about reliability, and that's what created  
13 the situation where MGE was filing more or less  
14 annual reliability reports; isn't that true?

15          A.       But it pertained to capacity. Some of  
16 the reports addressed the supply, some do not.

17          Q.       In your disallowance did you factor in  
18 the price differential of natural gas between the  
19 Rocky Mountain Supply Basins and the Anardarko and  
20 Hugoton Supply Basins?

21          A.       No. My adjustment was for a particular  
22 pipeline and the capacity associated with that  
23 pipeline which was the reservation costs associated  
24 with that. In the separate analysis that I do that I  
25 mentioned in here, the greater than or equal to 15

1 heating degree days, I do look at the TSS contract  
2 and the costs associated there with the storage.

3 Q. So the answer to my question is no?

4 A. Well, in the sense that that storage  
5 obtained supply, that was considered.

6 Q. Did you factor in the price differential  
7 between summer and winter gas commodity prices in  
8 your approach?

9 A. In the greater than or equal to 15  
10 heating degree days, yes, I did.

11 Q. Tell me exactly how you considered  
12 future contract expirations on other pipelines  
13 currently supplying MGE.

14 A. None of those other contracts were  
15 expiring for these two ACA periods in question.  
16 Therefore, I was looking at the capacity that was  
17 available during these ACA periods and I projected  
18 out five years. The company, in their reports,  
19 looked out three and four years when they were  
20 looking at capacity, so I thought my five-year  
21 outlook was consistent with what they were doing.

22 Q. Now, there are some contract expirations  
23 out there in the future, are there not?

24 A. Yes, there are.

25 Q. But your answer indicates you did not

1 look at those or consider those in your analysis; is  
2 that right?

3 A. Well, as I'm looking here at the  
4 contract expirations, the next expiration --

5 Q. Be careful about when you say what date  
6 because I believe that's highly confidential.

7 A. Okay. Well, I'm just talking in a  
8 general sense.

9 Q. Please. Is it fair to say there's a  
10 contract, a fairly major contract expiration a few  
11 years -- a few years from now?

12 A. Yes. And there's no indication that MGE  
13 was going to do anything different with that contract  
14 either. I was looking at decisions for this ACA.

15 Q. My question to you was, did you  
16 consider -- I asked you to tell me exactly how you  
17 considered contract expiration. So your response is  
18 even though you know that there is a contract  
19 expiring in a few years from now, you did not  
20 consider it in your analysis, and your response is  
21 because MGE didn't consider it or didn't appear to  
22 consider it; is that right?

23 A. I considered that the capacity would  
24 continue out just as MGE considered in its analysis  
25 in their tables where they show capacity throughout

0197

1 the years. I -- it showed it as continuing as the  
2 total continuing so I assumed that was their  
3 decision. I was looking at what was the appropriate  
4 contract to look at for these ACA periods.

5 Q. So you didn't feel comfortable going  
6 outside of the ACA periods to look at things that  
7 might happen in the future; is that right?

8 A. Well, I did project five years beyond  
9 the current ACA periods when I was looking at that.

10 Q. So is it fair to say, then, that you  
11 assumed that MGE was going to continue at the same  
12 capacity level on End Bridge that it has now after  
13 that contract expires because that apparently is what  
14 was reflected in the report you looked at?

15 A. Well, these pipes go by different names  
16 so I --

17 Q. KPL, Kansas pipeline, it's now called  
18 End Bridge, I believe.

19 A. That one goes many, many years out  
20 beyond the ACA periods that I was looking at, so they  
21 would not have had any option of doing anything with  
22 that contract for many, many years.

23 Q. Now, isn't that the same one that we're  
24 talking about that we just decided will expire a few  
25 years from now?

0198

1           A.       No, I was not looking at End Bridge when  
2 I was making that statement.

3           Q.       Okay. If Southern Star had to build --  
4 strike that. I'll start over.

5                    Did you assume there was going to be any  
6 additional capacity on Southern Star or Pony Express  
7 available in two to three years at the same general  
8 cost it was in 2001?

9           A.       I assumed that MGE would be making  
10 arrangements for the Joplin area based on the  
11 findings that I had and the findings that the  
12 consultant had, which likely would have been on  
13 Southern Star. I do not know at what costs they  
14 would have been available, but the capacity in  
15 question here wasn't for the Joplin area.

16          Q.       Okay. Now, for purposes of this next  
17 question, I want to -- you to assume that MGE had  
18 taken your advice or was taking your advice and has  
19 reduced capacity on Southern Star by the 60,000 that  
20 you recommended.

21                   Now, if Southern Star had to build  
22 additional capacity to meet MGE's needs after that  
23 reduction took place, do you know whether the Federal  
24 Energy Regulatory Commission would price that  
25 incremental capacity at a rolled-in or an incremental

0199

1 rate?

2 A. No, I don't.

3 Q. And is that consistent with your  
4 response to Data Request 196 in this case where you  
5 said -- where we asked for your understanding of  
6 rolled-in versus incremental rates on pipelines and  
7 your response was that you had not studied the  
8 subject?

9 A. That's correct. There's different  
10 people here at the Commission that look at FERC  
11 issues.

12 Q. Are you familiar with FERC's statement  
13 of policy issued in docket number PL-99 on  
14 September 15th, 1999 and printed at 88 FERC,  
15 paragraph 61227 which contains FERC statement of  
16 policy regarding the pricing of expansion projects  
17 for existing interstate pipelines?

18 A. No.

19 Q. Ms. Jenkins, I'm gonna hand you a  
20 document that at the top has a citation called  
21 88 FERC, paragraph 61227. Does that indicate to you  
22 from looking at the first page that it's a statement  
23 of policy of the Federal Energy Regulatory Commission  
24 issued September 15th, 1999?

25 A. Yes.



0200

1           Q.       I'm gonna direct your attention to what  
2     appears as page 19 of this document, and I'm gonna  
3     ask you to read the -- I think it's three sentences  
4     that are highlighted there into the record.

5                   MR. REED:  Is -- what was the exhibit  
6     number?

7                   MR. DUFFY:  I don't intend to mark it as  
8     an exhibit because it is essentially a reported case  
9     of an administrative agency and I'm just gonna -- all  
10    I'm interested in at this point is the text of the  
11    paragraph that she's reading to indicate what the  
12    FERC policy is.

13                  MR. REED:  I'd like to move for  
14    admission of the entire document, Judge.  Let's mark  
15    it.  I'll move for admission.

16                  JUDGE WOODRUFF:  Do you have any  
17    objection to doing that?

18                  MR. DUFFY:  I do not, except I do not  
19    have copies.  If it's okay with you, can we make it a  
20    late-filed exhibit so we can supply copies?

21                  JUDGE WOODRUFF:  Sure.  Well, we'll go  
22    ahead and mark it as 12.  I assume it's not HC.

23                  MR. DUFFY:  No, I do not believe it's  
24    HC.

25                  JUDGE WOODRUFF:  This is actually being

0201

1 offered by Staff then; is that correct? Mr. Reed,  
2 you're offering this exhibit then?

3 MR. REED: Yes.

4 MR. DUFFY: Then I won't object to it  
5 being admitted.

6 JUDGE WOODRUFF: And we'll call this the  
7 FERC decision.

8 MR. DUFFY: It's the FERC statement of  
9 policy from 1999.

10 (EXHIBIT NO. 12-NP WAS MARKED FOR  
11 IDENTIFICATION BY JUDGE WOODRUFF.)

12 JUDGE WOODRUFF: All right. Then  
13 Exhibit 12 has been offered. It will be admitted  
14 into evidence.

15 (EXHIBIT NO. 12-NP WAS RECEIVED INTO  
16 EVIDENCE AND MADE A PART OF THE RECORD.)

17 BY MR. DUFFY:

18 Q. Ms. Jenkins, could you read that one --  
19 or three sentences, I believe, that I have  
20 highlighted there?

21 A. "The requirement that the project be  
22 able to stand on its own financially without  
23 subsidies changes the current pricing policy which  
24 has a presumption in favor of rolled-in pricing.  
25 Eliminating the subsidization usually inherent in

1 rolled-in rates recognizes that a policy of  
2 incrementally pricing facilities sends proper price  
3 signals to the market. With the policy of  
4 incremental pricing, the market will then decide  
5 whether a project is financially viable."

6 Q. Thank you. Does that indicate to you  
7 that the FERC's policy now is a presumption of  
8 incremental pricing of existing pipelines for posing  
9 an expansion project?

10 A. I mean, I don't know if anything's  
11 changed since that time so I don't know. At that  
12 time that was the policy based on what you've given  
13 me.

14 Q. Okay. Now, since you've indicated that  
15 you were not familiar with this policy before today,  
16 is it fair to say that when you were doing your  
17 analysis in this case, you did not consider the  
18 possible future implications of a capacity addition  
19 on Southern Star being priced at incremental rates as  
20 this policy would indicate?

21 A. Based on the information that was  
22 provided to me, I would expect that in the future the  
23 company would relook at growth and other factors. I  
24 have no indication that five or ten or 15 years down  
25 the road whether they would need capacity for

1 St. Joseph or Kansas City or whether they wouldn't.

2 I don't know.

3 Q. Well, I don't think that exactly  
4 responded to my question. Maybe I can ask it another  
5 way. Since you didn't know what the FERC policy was  
6 on incremental versus rolled-in pricing, is it fair  
7 to state that in the analysis you did in this case,  
8 you didn't take that into account?

9 A. I guess I don't see how it would have  
10 been relevant to the analysis.

11 Q. Okay. On page 2 of your surrebuttal  
12 testimony, and I'm looking at lines 17 and 18, you  
13 state, "Staff does not state that there is only one  
14 reasonable method to estimate peak day requirements."  
15 Did I read that right?

16 A. Yes.

17 Q. So you concede that there is a range of  
18 reasonable methods?

19 A. Yes. I even offered the fact that I  
20 looked at many different methods.

21 Q. Were all of the methods you looked at  
22 reasonable?

23 A. I felt that some did not project the  
24 peak day at a reasonable level. I found that some of  
25 them did not result in correlations that were

0204

1 sufficient to move forward with those estimates, but,  
2 yes. I mean, the fact that I looked at more recent  
3 data, I thought that was reasonable. I did not  
4 accept it. It would have lowered the peak day  
5 estimate based on more recent data. I didn't know  
6 that it was appropriate to do that at that time. I  
7 don't think that it's unreasonable to have used more  
8 recent data, but I did not use it for purposes of  
9 calculating an adjustment in this case.

10 Q. I'm a little bit confused by your  
11 answer. Let me rephrase it this way -- my question  
12 this way: Did you, in your analysis in this case,  
13 intentionally undertake or intentionally utilize any  
14 method that when you started it, you considered it to  
15 be an unreasonable method?

16 A. When I started it, no.

17 Q. So what you're saying is as far as you  
18 were concerned, each one of these methods you  
19 utilized when you -- when you put the data into it  
20 and before you got a result, you considered it to be  
21 a reasonable method?

22 A. No. Generally you have to do the  
23 analysis first to see what the outputs are. I mean,  
24 if you do an analysis and R squared is .5, you're not  
25 gonna say that's reasonable. You have to look at the

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1 output to determine whether or not you want to  
2 proceed with it.

3 Q. So you can't know whether a method is  
4 reasonable until you get an R squared result at the  
5 end of the process?

6 A. That's one of the things you look at,  
7 yes.

8 Q. Before you heard Mr. Kirkland talk about  
9 it when he was on the witness stand yesterday, were  
10 you aware that a temperature of 40 degrees below zero  
11 was recorded in Warsaw, Missouri back in 1905?

12 A. Mr. Kirkland said he did a Google  
13 search. I have no idea where that came from, I don't  
14 know whether it's NOAA data, I don't know whether  
15 it's a confirmed thermometer that was calibrated, I  
16 have no idea if it was an average daily temperature.  
17 All's I know is that he said somebody recorded it.

18 Q. And my question to you was before he  
19 said that, did you know that there was any  
20 temperature of that magnitude recorded in Missouri?

21 A. The NOAA data and the AccuWeather data  
22 provided to me did not indicate that.

23 Q. That NOAA weather data and AccuWeather  
24 data only looked at a period of the past 30 years; is  
25 that right?

0206

1           A.       Some of it looked at the past 40 years.

2           Q.       Okay.  So if there had been temperatures  
3 below -- oh, I think the 23 below in 1989 that  
4 occurred earlier in history than 40 years ago, you  
5 would not have been aware of it in this case from  
6 looking at the data you examined; is that right?

7           A.       That's correct.

8           Q.       And obviously, then, data from 1905 did  
9 not appear in the data set you looked at in this  
10 case?

11                   MR. REED:  Your Honor, I have to object  
12 to the relevance to this line of questioning.  This  
13 is data that no one considered in the analyses  
14 reliability reports that are at issue in this case.

15                   MR. DUFFY:  And that may be the point,  
16 your Honor.

17                   JUDGE WOODRUFF:  I'll overrule the  
18 objection.

19 BY MR. DUFFY:

20           Q.       If MGE had used an historical record low  
21 of 40 degrees below zero in a coldest observed  
22 approach for its planning purposes, would that have  
23 translated to a higher amount of gas and capacity  
24 being appropriate for the estimated usage of  
25 customers at that assumed temperature?

1           A.       If they had used it and it was  
2   verifiable, yes, it would have resulted in a higher  
3   estimate.

4           Q.       Can you guarantee that it won't be 40  
5   degrees below zero in Kansas City sometime in the  
6   next ten years?

7           A.       I can't guarantee that it won't be 100  
8   degrees below zero sometime in the future, but that  
9   doesn't mean that it's reasonable to plan for that.

10          Q.       You talked earlier about your regression  
11   analyses. The regression analysis you relied on for  
12   your recommended disallowance examined daily data for  
13   four winters; is that right?

14          A.       The data that I looked at for purposes  
15   of adjustment, that's correct.

16          Q.       The data for those four winters covers  
17   the time period of November 1, 1997 through March 31,  
18   2001?

19          A.       Yes.

20          Q.       You considered but ultimately did not  
21   rely upon the regression analysis of daily data with  
22   30 or more heating degree days for those same four  
23   winters?

24          A.       That's correct.

25          Q.       You explained starting on the bottom of



1 page 22 of your direct testimony that you did not  
2 rely on the 30 or more HDD approach because of the  
3 results of an R squared analysis; is that right?

4 A. That's correct.

5 Q. And you did not rely on the 30 HDD or  
6 more approach because you said the R squared values  
7 that you determined were below 0.9; is that  
8 correct?

9 A. Well, they are below that, yes.

10 Q. But you gave that as the rationale for  
11 why you didn't utilize that approach? I'll read an  
12 excerpt from your testimony if that helps you  
13 remember.

14 A. I'm looking. Just a second.

15 Q. Okay.

16 A. Yes, and I continue to state that  
17 that's another reason the model exists, it has  
18 R squared above .9 for the two service areas in  
19 question.

20 Q. Right. So you chose to base your  
21 recommended disallowance on your regression analysis  
22 of all 604 winter days because that one produced  
23 higher R squared values?

24 A. That, and I also looked at separate  
25 analyses for greater than or equal to 15 heating

1 degree days along with other factors that the company  
2 raised, and the range in that adjustment was similar  
3 to this; thus, I thought it confirmed that my  
4 calculation was reasonable.

5 Q. Because you used the R squared statistic  
6 in that manner to test the reasonableness, that  
7 indicates you believe that the R squared statistic  
8 measures the appropriateness of the linear model you  
9 used; is that right?

10 A. It measures the interdependence between  
11 the heating degree days and the usage.

12 Q. Well, your stated reliance on this  
13 R squared test indicates to someone looking at what  
14 you did that you believe the R squared statistic  
15 measures the appropriateness of the linear model you  
16 used, does it not?

17 A. Yes, it -- it does.

18 Q. Okay. In data request No. 31 in  
19 GR-2002-348, MGE asked you, "Please explain the  
20 amount of data that Staff believes is appropriate to  
21 conduct an effective regression analysis. Please  
22 provide any work papers used to develop the  
23 response." Do you remember that one?

24 A. In general, yes.

25 Q. Okay. And do you want to see a copy of

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1 it or do you have one?

2 A. I do not have a copy.

3 Q. I'm gonna -- first of all, does what I  
4 handed you appear to be the question and response you  
5 gave in response to DR No. 31 even though it's not on  
6 an official form? Is the text the same?

7 A. Give me a minute.

8 Q. Sure.

9 A. Yes.

10 Q. Okay. Is there an indication in the --  
11 well, first of all, you said there is no set amount  
12 of data. Then is there an indication in the latter  
13 part of your response that says, "This is simply --  
14 simply part of the regression analysis and is  
15 explained in basic statistical analysis textbooks.  
16 If you would like to review Staff's statistical  
17 analysis textbooks, please call and Staff will  
18 arrange for a mutually agreeable time for you to do  
19 this." Does it say that?

20 A. Yes.

21 Q. So I take it from the latter part of  
22 that answer that regression analysis is explained in  
23 basic statistical analysis textbooks?

24 A. In the ones that I've reviewed, yes.

25 Q. So basic statistical analysis textbooks

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1 would be authoritative texts on the subject of  
2 regression analysis?

3 A. Yes.

4 Q. Mr. Reed quoted from the textbook  
5 entitled, "Introduction to Linear Regression  
6 Analysis, Third Edition", by Douglas C. Montgomery  
7 and others in a footnote on pages 36 and 37 and on  
8 pages 26 -- of his direct and I think on page -- no,  
9 it was on page 26 of his rebuttal testimony filed  
10 February 1st, 2006. Do you remember that?

11 A. No, I don't remember that.

12 Q. Do you know whether the "Introduction to  
13 Linear Regression Analysis, Third Edition" textbook  
14 is in Staff's collection of statistical analysis  
15 textbooks?

16 A. I don't recall.

17 Q. Since he quoted from that in his  
18 rebuttal, you had an opportunity to put something in  
19 your surrebuttal testimony you filed on July 19th  
20 challenging whether the "Introduction to Linear  
21 Regression Analysis, Third Edition", was an -- was an  
22 authoritative text, didn't you?

23 A. I could have responded to anything he  
24 had if that's your question.

25 Q. Yes, that is. And you chose not to

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1 challenge what was contained in those footnotes; is  
2 that right?

3 A. I don't believe I addressed that.

4 Q. Okay. I'm gonna show you this book,  
5 "Introduction to Linear Regression Analysis, Third  
6 Edition" and take a minute to familiarize yourself  
7 with it if you would.

8 A. The entire textbook?

9 Q. Well, if you would just -- what I would  
10 like you to be able to indicate to me is that it  
11 appears to be a college textbook on statistical  
12 analysis in a particular linear regression.

13 A. It appears to be a textbook on linear  
14 regression analysis.

15 Q. Turn to the back cover, if you would, and  
16 does that indicate who the authors are? Could you  
17 read who the authors are and what their titles are?

18 A. It said Douglas Montgomery is a  
19 professor in the Department of Industrial Engineering,  
20 Arizona State University, Elizabeth Pack is a  
21 logistics modeling specialist at Coca-Cola and  
22 Jeffrey Vinning is professor and head of the  
23 Department of Statistics at Virginia Tech.

24 Q. Okay. Do you have any reason to doubt  
25 that that's an authoritative text on linear

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1 regression analysis?

2 A. No.

3 Q. Okay. Would you turn to page 40 in that  
4 textbook?

5 A. Okay.

6 Q. I've got a photocopy here in front of  
7 me. And would you compare the photocopy to page 40  
8 to make sure that the copy is accurate?

9 A. Okay.

10 Q. I'll give you the photocopy. I'll take  
11 the book and I'm gonna ask you to read, I think it's  
12 one, two, three sentences again that I've highlighted  
13 on that photocopy that you've indicated is an  
14 accurate copy. Could you just read that into the  
15 record, please?

16 A. "Furthermore, R squared does not measure  
17 the appropriateness of the linear model, for  
18 R squared will often be large even though Y and X are  
19 nonlinearly related. For example, R squared for the  
20 regression equation in Figure 2.3B will be relatively  
21 large even though the linear approximation is poor.  
22 Remember that although R squared is large, this does  
23 not necessarily imply that the regression model will  
24 be an accurate predictor."

25 Q. Thank you, ma'am.

1                   MR. REED: Your Honor, I'd like -- I'd  
2 like to give the book an exhibit number and move for  
3 admission.

4                   JUDGE WOODRUFF: The entire book?

5                   MR. REED: Yes, sir.

6                   MR. DUFFY: I think we have some  
7 problems with that from copyright things and other  
8 aspects, your Honor. I'm certainly -- I'm certainly  
9 glad to put a copy of that page in as an exhibit or  
10 something reasonable under the circumstances, but I  
11 don't think that we can legitimately put a -- let's  
12 see, it's about 600 -- a 622-page book because we're  
13 only talking about three paragraphs that at least we  
14 consider to be relevant to the topic of R squared  
15 analysis for linear regression.

16                  JUDGE WOODRUFF: I can't see the  
17 relevance of an entire statistical analysis textbook,  
18 Mr. Reed. I mean, is there a part of this that you  
19 might want to try to offer as an exhibit?

20                  MR. REED: If you're not going to allow  
21 the entire book, the copy, we'd like to have that  
22 marked --

23                  JUDGE WOODRUFF: All right.

24                  MR. REED: -- identified and admitted.

25                  JUDGE WOODRUFF: I think that is

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1 reasonable.

2 MR. DUFFY: Are you talking about the  
3 one page?

4 JUDGE WOODRUFF: The one page?

5 MR. REED: Just the one page.

6 MR. DUFFY: We don't have a problem with  
7 that, your Honor, but again, we did not bring copies  
8 of that.

9 MR. REED: That's okay. That's okay.

10 MR. DUFFY: We can supply that.

11 MR. REED: I understand.

12 JUDGE WOODRUFF: We'll mark it as 13 and  
13 show it as offered by Staff, and there was no  
14 objection to it, so it will be received into  
15 evidence, and you can make copies later.

16 (EXHIBIT NO. 13NP WAS MARKED FOR  
17 IDENTIFICATION BY JUDGE WOODRUFF AND WAS RECEIVED  
18 INTO EVIDENCE AND MADE A PART OF THE RECORD.)

19 JUDGE WOODRUFF: Mr. Duffy, we're about  
20 at a breaking point.

21 MR. DUFFY: That would be great. That  
22 will help me find what I'm looking for here.

23 JUDGE WOODRUFF: We'll take a break at  
24 this time. We'll come back at 10:15.

25 (A RECESS WAS TAKEN.)



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1 JUDGE WOODRUFF: Okay. Let's go ahead  
2 and get started.

3 BY MR. DUFFY:

4 Q. Ms. Jenkins, I'd like to direct your  
5 attention to that -- to June 28th, 1996 Staff memo  
6 which you should find in Mr. Jenkins' -- excuse me,  
7 Mr. Kirkland's direct, part 1 of 3, and it's on page  
8 137 of --

9 A. I don't have that, Mr. Duffy. I have  
10 part 2 of 3.

11 Q. Okay. We'll get you part 1 of 3. Okay.  
12 Do you have in front of you a copy of the Staff  
13 memorandum in Case Number GO-96243 dated June 28th,  
14 1996?

15 A. Yes.

16 Q. Now, that is the Staff's memorandum  
17 where it reviewed the first MGE reliability report;  
18 is that right?

19 A. Yes, that's what it appears to be.

20 Q. Okay. In the discussion on page 137 of,  
21 I believe, schedule DNK-2, there's a heading called  
22 "General" and in that first paragraph I'm looking at  
23 the second sentence there and it says, "The  
24 discussion that follows relates to supply reliability  
25 to the firm customers that are dependent upon their

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1 local distribution company, LDC, to provide natural  
2 gas every day of the year, especially those days in  
3 mid winter when the temperature never rises above  
4 zero degrees Fahrenheit." Did I read that right?

5 A. Yes.

6 Q. So that apparently was a concern of the  
7 Staff when they put that in their general discussion  
8 of their analysis; is that right?

9 A. It was acknowledged.

10 Q. Okay. Do you agree that a regression  
11 equation is only as good as the data utilized in the  
12 equation?

13 A. Yes.

14 Q. Did you read the Staff's prehearing  
15 brief that was filed last week?

16 A. I read it, yes.

17 Q. I'm gonna read some excerpts from the  
18 Staff's prehearing brief, and I want you to tell me  
19 if you agree with the phrases that I'm going to read  
20 as applying in your opinion to MGE's planning that's  
21 under review in this proceeding. The first phrase  
22 appears on page 2.

23 MR. REED: Your Honor?

24 JUDGE WOODRUFF: Yes, sir.

25 MR. REED: I'll interpose an objection

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1 at this point. This is the attorney's argument as I  
2 understand it, the prehearing brief. It may  
3 relate -- it may include testimony by Ms. Jenkins  
4 which I believe is fair game, but as far as the  
5 attorney's opinions and conclusions and analysis that  
6 are in the brief, that's completely without --  
7 outside of what Ms. Jenkins is here to testify about,  
8 so it's not relevant. It's not a proper subject for  
9 cross-examination.

10 JUDGE WOODRUFF: Where are you going  
11 with this, Mr. Duffy?

12 MR. DUFFY: There are statements made in  
13 the prehearing brief characterizing MGE's planning  
14 process. Ms. Jenkins is the one who looked at MGE's  
15 planning process and made a disallowance based on  
16 that.

17 What I want to do and what I'm intending  
18 to do is to read to her the characterization that  
19 appears in the Staff's brief and I'm gonna ask her if  
20 she agrees with that characterization as it relates  
21 to her perception of what MGE did. In other words,  
22 I'm asking her if she agrees with the  
23 characterization her lawyer put in the brief to  
24 represent her position.

25 MR. REED: Well, it brings out an

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1 interesting aspect of a case like this, which I  
2 alluded to in my opening statement. This question --  
3 the question before us is what does the fact finder  
4 think about the issues before it. The experts have  
5 opinions about it, but the attorneys can come to  
6 court and espouse completely different theories and  
7 nonetheless prove their case. And if we establish  
8 that she disagrees with what the Staff says, then  
9 that's what the record will reflect. If she agrees  
10 with what the Staff attorney said, then that's what  
11 the record will reflect.

12 JUDGE WOODRUFF: I don't see the --  
13 whether she agrees or not with what her attorney says  
14 has any relevance to her opinions, so I'm gonna  
15 sustain the objection.

16 MR. DUFFY: Can we then take official  
17 notice in this proceeding in the transcript of some  
18 excerpts from the Staff's brief which I can read into  
19 the record?

20 JUDGE WOODRUFF: Well, Staff's brief is  
21 already in the record.

22 MR. DUFFY: Okay. Is it appropriate or  
23 is it inappropriate for me to highlight those things  
24 by just pointing to a phrase?

25 JUDGE WOODRUFF: I think it's

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1 inappropriate at this time. You can certainly  
2 highlight that in your post-hearing brief if you want  
3 to argue that, but I don't see any relevance to the  
4 cross-examination of this witness.

5 MR. DUFFY: Okay. Well, let me try it  
6 this way.

7 BY MR. DUFFY:

8 Q. Ms. Jenkins, you said you read the  
9 Staff's brief; is that right?

10 A. I did a quick review of it, yes.

11 Q. Did you read it before it was filed?

12 A. No, I did not.

13 Q. Okay. Did it generally allege that  
14 there was sloppy and inaccurate forecasting on MGE's  
15 part?

16 A. I don't recall what the words that were  
17 used.

18 Q. Did you get that impression when you  
19 read it, sloppy and inaccurate forecasting?

20 A. I don't recall those words. They may  
21 have been there. I don't recall.

22 Q. Do you think MGE did sloppy and  
23 inaccurate forecasting?

24 A. I think that one data point is  
25 insufficient and, yes, I think that's sloppy. I

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1     could not obtain the regression analyses that they  
2     used from them. I think that's sloppy that you're  
3     not maintaining your records.

4           Q.       Okay. Do you think MGE's planning was  
5     inept?

6           A.       I guess I don't know what all that word  
7     entails. I don't know.

8           Q.       Do you think MGE's planning was neither  
9     careful nor accurate?

10          A.       I don't believe that it was reasonable  
11     to use one data point, so in that sense -- that one  
12     data point didn't tell anything. I didn't -- I was  
13     not able to get the regression analysis from them, so  
14     I could not make a determination there. I had to run  
15     a separate analysis.

16          Q.       You were a member of the Staff in the  
17     time period of 2000, 2001, 2002 and 2003; is that  
18     right?

19          A.       Yes.

20          Q.       The person primarily responsible for  
21     making the decisions that you've challenged in this  
22     case, specifically the Southern Star contract  
23     negotiations, in that time frame, was a fellow by the  
24     name of Mike Langston; is that right?

25          A.       That's my understanding.

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1           Q.       He was in charge of gas supply planning  
2   for MGE?

3           A.       That's my understanding.

4           Q.       Was he the person primarily responsible  
5   in charge of making the Southern Star contract  
6   decisions in 2002 and 2001?

7           A.       I -- I don't know whether he was the  
8   person that made that final decision or not.

9           Q.       Is that your general impression that he  
10   was?

11          A.       I -- I don't know.

12          Q.       You dealt with him in professional  
13   situations relating to MGE over a period of years,  
14   did you not?

15          A.       I had a few contacts with him.  
16   Generally I talked with other folks that worked at  
17   MGE.

18          Q.       Okay. He's the same person that was the  
19   recipient of the e-mail that you sent on May 28th,  
20   2002 that appears in schedule 13-1 to your direct  
21   testimony, is he not?

22          A.       Yes.

23          Q.       You were listed as being present at a  
24   deposition taken of Mr. Langston in Kansas City at  
25   MGE's office on April 15th, 2004. Do you remember

1     being there?

2             A.       Yes.

3             Q.       At that deposition when Mr. Langston was  
4     questioned by Mr. Berlin, he said that he had moved  
5     from a position at MGE to a position at Energy Works  
6     in late 2002, and then in August of 2003 had moved to  
7     Panhandle Energy. Does that match your understanding  
8     of where he was in those time periods?

9             A.       In general, yes.

10            Q.       Okay. At that same deposition, he also  
11    testified that he had primary responsibility for  
12    MGE's gas supply up until the time he took the  
13    position with Energy Works. Does that also match  
14    your general recollection?

15            A.       Yes.

16            Q.       Now, there were two cases initiated by  
17    the Staff on March 31st, 2003 regarding Southern  
18    Union's transfer of its gas supply department for MGE  
19    and Texas to a subsidiary corporation. One of those  
20    cases was a complaint case, Case GC-2003-348, and one  
21    was an investigation Case Number GO-2003-0354. Do  
22    you remember the Staff initiating those cases on  
23    March 31st, 2003?

24            A.       I don't recall. I may have been asked  
25    questions by their Staff members, but I personally



1 was not involved in writing testimony or anything for  
2 those cases.

3 Q. Okay. But you're generally aware that  
4 the Staff filed those cases and made some allegations  
5 about the transfer of Mr. Langston's and his  
6 department to other entities?

7 A. Yes.

8 Q. And you're on the same staff with the  
9 people that would have been responsible for filing  
10 that; the Staff is the Staff, right?

11 A. Yeah, I mean, I don't know if they're  
12 all still here or not. I don't -- I don't remember  
13 who was involved exactly in that case. I know some,  
14 but I don't know who else might have been included in  
15 that case.

16 Q. Okay. So I take from your answer that  
17 you didn't participate in the preparation of the  
18 report on that investigation?

19 A. I may have provided information to those  
20 folks. I don't recall.

21 Q. Okay. Do you recall ever reading the  
22 report that the Staff filed?

23 A. I do remember reading it in a general  
24 nature, yes.

25 Q. Okay. Would you take a minute to look

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1 at the two documents that I've handed you? One of  
2 them is a cover pleading in Case Number GO-2003-0354  
3 assigned by Lera Shemwell on the 9th day of January,  
4 2004, and the other has a heading, "Staff's  
5 Investigation in the Southern Union's Corporate  
6 Reorganization in the Sale, Transfer Or Disposal of  
7 Its Entire Gas Supply Department to One Oak and  
8 Energy Works." Do those appear to be copies of what  
9 the Staff filed based on your recollection?

10 A. Yes.

11 Q. Would you take a look at the report  
12 itself and turn to page 6? In about the middle of  
13 that page, does that state that Southern Union,  
14 quote, also transferred as part of the sale an  
15 in-place trained and knowledgeable assembled work  
16 force" --

17 MR. REED: Your Honor, I have an  
18 objection.

19 MR. DUFFY: -- "with critical  
20 expertise"?

21 MR. REED: I do have an objection.

22 JUDGE WOODRUFF: What's your objection?

23 MR. REED: It hasn't been established  
24 that this case or these documents are in any way  
25 relevant to this particular case. In addition, the

1 investigation is hearsay at this point because  
2 there's been no proper foundation for it. So to  
3 simply read from the report is hearsay. In addition,  
4 it's not relevant.

5 MR. DUFFY: Your Honor, this is not  
6 hearsay. This is a statement by a party opponent,  
7 the Staff. I've laid the foundation with her that  
8 she's aware of it. If we'd like, I can ask the  
9 Commission to take official notice of the contents of  
10 its own files in Case Number GO-2003-0354 and the  
11 contents of the 30-page report that the Staff filed  
12 as reflected by the cover pleading on the 9th day of  
13 January, 2004.

14 JUDGE WOODRUFF: I'll overrule the  
15 objection. You can go ahead and continue with your  
16 question and you can answer.

17 MR. DUFFY: Thank you.

18 BY MR. DUFFY:

19 Q. Would you like me to restate the  
20 question, ma'am?

21 A. Yes, please.

22 Q. Are you looking at about the middle of  
23 page 6 of that report?

24 A. Yes.

25 Q. Okay. My question to you simply is:

1 Does that report state that, "Southern Union also  
2 transferred, as part of the sale, an in-place trained  
3 and knowledgeable assembled work force with critical  
4 expertise and all of the institutional knowledge of  
5 MGE's gas purchasing practices"?

6 A. That's what it says.

7 Q. Okay. And was that quote contained in a  
8 section entitled, "Facts" as reflected by the heading  
9 "Facts" on the previous page?

10 A. Yes.

11 Q. On page 7 of that report, is there a  
12 organizational chart that talks -- that shows Michael  
13 Langston as vice-president of Gas Supply as of  
14 December 2002?

15 A. Yes.

16 Q. At the top of page 13 of this report in  
17 the second line, does that refer to Mr. Langston's  
18 department as, "A well-trained and highly competent  
19 in-place assembled work force"?

20 A. That's what it says.

21 Q. Turn to page 26 of this report. Let's  
22 see. I think I handed you a highlighted copy, did I  
23 not?

24 A. Yes.

25 Q. On the top line on page 26, does that

1 report refer to Mr. Langston's department there in  
2 the phrase, "Critical infrastructure and  
3 institutional knowledge"?

4 A. I don't know what it's referring to.

5 Q. Could you take a minute to look and make  
6 sure?

7 A. I'm assuming that's what it's referring  
8 to.

9 Q. Okay. Well, the entire sentence says,  
10 "This critical infrastructure and institutional  
11 knowledge was dismantled with Southern Union's to  
12 proceed with the One Oak sale," right?

13 A. Yes.

14 Q. Turn back to page 25 in the last  
15 paragraph, second sentence. That says, "Strategic  
16 and tactical decisions require years of specifically  
17 applicable experience in the area of gas procurement  
18 negotiations and planning." Does it say that?

19 A. Yes.

20 Q. Do you agree with that?

21 A. Yes.

22 Q. Did Mr. Langston have years of  
23 specifically applicable experience in the areas of  
24 gas procurement negotiation and planning when he was  
25 negotiating the Southern Star contract in the fall of

1 2000 and the spring of 2001?

2 A. My understanding is he did have that  
3 background.

4 Q. Do the Southern Star contract  
5 negotiations and the resulting contract represent  
6 strategic and tactical decisions by MGE?

7 A. Would you say that again, please?

8 Q. Sure. Do the Southern Star contract  
9 negotiations and the resulting contract represent  
10 strategic and tactical decisions by MGE?

11 A. I -- I don't know what they were meaning  
12 by that strategic and tactical. I mean, they're  
13 important decisions.

14 Q. Okay. On page 29 of the report in the  
15 first line, does the report refer to Mr. Langston's  
16 group that he managed as an experienced and  
17 knowledgeable work force?

18 A. I'm assuming it's still talking about  
19 the same work group, yes.

20 Q. On page 30 in the second line of the  
21 last paragraph, does it say there that, "MGE lost its  
22 trained and experienced assembled work force"?

23 A. Yes.

24 Q. And then in that conclusion, that last  
25 paragraph on page 30, does it say that the transfer

1 of Mr. Langston's department was a significant  
2 detriment to the public interest because of the loss  
3 to Missouri customers of that trained and  
4 knowledgeable work force?

5 A. It doesn't quite say all of that, but it  
6 implies that, yes.

7 Q. Well, the last sentence says that  
8 this -- "This demonstrates the significant detriment  
9 to Missouri consumers from the sale"?

10 A. Yes.

11 Q. Let's look at your surrebuttal again,  
12 page 18.

13 MR. REED: Can I -- I'm sorry to  
14 interrupt, but with regard to the information that we  
15 just heard about from the report, I believe that the  
16 bench took official notice of this -- these  
17 documents, Judge, and I wondered if that means that  
18 the entirety of the investigation is in evidence in  
19 this particular proceeding or whether only the  
20 portions that Mr. Duffy read are in evidence.

21 JUDGE WOODRUFF: Actually, the bench did  
22 not take official notice of anything at this point.  
23 Mr. Duffy had mentioned that possibility. Mr. Duffy,  
24 do you want to offer this or...

25 MR. DUFFY: What I would like the

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1 Commission to do is take official notice of the cover  
2 pleading and the report that was filed through the  
3 mechanism of that cover pleading. And as we have  
4 done in the past, if you would like us to make those  
5 particular documents late-filed exhibits, we would be  
6 glad to do that.

7 JUDGE WOODRUFF: I think it would be  
8 cleaner to go ahead and mark them as an exhibit. Is  
9 that agreeable with you, Mr. Reed?

10 MR. REED: I would agree, Judge.

11 MR. DUFFY: Okay. We will take care of  
12 that, your Honor.

13 JUDGE WOODRUFF: We'll mark it as 14.  
14 Again, offered by Staff or offered by MGE?

15 MR. DUFFY: MGE will offer these.

16 JUDGE WOODRUFF: Okay. Any objections  
17 to their receipt?

18 MR. REED: No, Judge.

19 JUDGE WOODRUFF: All right. Exhibit 14  
20 is admitted into evidence and you can provide copies  
21 later.

22 (EXHIBIT NO. 14 WAS MARKED FOR  
23 IDENTIFICATION BY THE COURT REPORTER AND WAS RECEIVED  
24 INTO EVIDENCE AND MADE A PART OF THE RECORD.)  
25 BY MR. DUFFY:



1           Q.       Okay.  Let's look at your surrebuttal,  
2   page 18.  I'm focusing on line 17 where you state,  
3   "Moreover, the peak day analysis is concerned with  
4   usage on a very cold day in the winter, not the base  
5   load demand in July or August."  Did I read that  
6   correctly?

7           A.       Yes.

8           Q.       So the goal of what you would call the  
9   peak day analysis or what we've also called the  
10  design day demand analysis is to determine usage on a  
11  very cold winter day?

12          A.       Yes.

13          Q.       In connection with a Motion to Compel  
14  that MGE filed in this case, you indicated in the  
15  Staff pleading that you were revising your rebuttal  
16  testimony.  And in that you -- that pleading, it says  
17  that your testimony would be revised to say, "Staff  
18  does not disagree with Mr. Reed that natural gas  
19  demand can be thought of as having a  
20  weather-sensitive component and a more constant base  
21  load component."  Is that still your testimony,  
22  ma'am?

23          A.       That's -- I think what the attorney  
24  filed in that case in the Motion to Compel, I think  
25  we were then told to provide the information, so we

1 did, so I don't know how the attorneys worked that  
2 out.

3 Q. All right. But my question to you, it  
4 was represented that you were revising your  
5 testimony. And what I would like you to do is  
6 indicate to me that that quotation from that pleading  
7 is -- is your testimony in this case since it really  
8 wasn't filed anywhere other than in that motion. And  
9 I'd be glad to show it to you.

10 A. I'm not an attorney, I don't know how  
11 that's done. That's what I'm saying. I don't know  
12 how that's done. It's -- it's there.

13 Q. So what I read is the -- yeah, you agree  
14 with what I read; is that right? That's your  
15 testimony?

16 A. That's --

17 Q. I'm not dealing with the procedural  
18 niceties of how it became your testimony. You said  
19 that and you want that to be considered as a part of  
20 your testimony in this proceeding; is that right?

21 A. I don't recall what the exact wording  
22 was. I don't know if the attorney said, you know,  
23 we'd be willing to change it, I don't know if it said  
24 we were changing it. That's what I'm saying.

25 Q. Okay. Well, let me try it another way.

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1 Let me just read you this sentence and then I'll ask  
2 you if you agree with me or not, okay?

3 A. Okay.

4 Q. "Staff does not disagree with Mr. Reed  
5 that natural gas demand can be thought of as having a  
6 weather-sensitive component and a more constant base  
7 load component." Do you agree with that?

8 A. I agree with that.

9 Q. Thank you. So demand has two  
10 components, a weather-sensitive component and a base  
11 load component. That's what you just said, right?

12 A. Well, I said it can be thought of.  
13 There are some LDC's that also consider other factors  
14 as well.

15 Q. Okay. Have you heard of the American  
16 Gas Association?

17 A. Yes, I have.

18 Q. Do you know what that is?

19 A. In general, yes.

20 Q. Is it generally an association of a lot  
21 of natural gas companies in the United States?

22 A. Yes.

23 Q. A professional type of association?

24 A. Yes.

25 Q. They publish papers and things related

1 to the natural gas distribution industry?

2 A. I've seen reports of storage and  
3 hedging. I don't know -- in general we don't always  
4 get access to that type of information.

5 Q. Okay. Are you aware that the American  
6 Gas Association has defined residential nonheat use  
7 as base load use which they say is typically not very  
8 weather-sensitive and, in fact, the AGA has stated  
9 that water heating accounts for about 86 percent of  
10 the nonheating demand?

11 A. I believe that that may be somewhere in  
12 someone's testimony. I didn't offer that.

13 Q. Okay. Do you have any reason to doubt  
14 the accuracy of that?

15 A. That they've stated that? No.

16 Q. Okay. So it's fair to say that the  
17 American Gas Association has also indicated that  
18 demand has a nonheating and a weather-sensitive  
19 component?

20 A. They've said that. I don't know if  
21 they've ever considered any other factors or not.

22 Q. Okay. On page 18 of your surrebuttal,  
23 about line 19, you make the comment there that,  
24 "Further examination of Mr. Reed's data reveals that  
25 the base load usage is not constant in July or

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1     August," and then you talk about a review that you  
2     made of that data; is that right?

3             A.       Yes.

4                     MR. DUFFY:   Okay.   Your Honor, I've  
5     studiously tried to avoid going into HC in my case,  
6     but at this point I think we need to do that because  
7     we have some HC numbers.

8                     JUDGE WOODRUFF:  All right.  At this  
9     time we'll go in-camera to consider the HC  
10    information.  Put it on mute.  Okay.  Anyone that  
11    needs to leave the room, please do so.  I don't see  
12    anybody here that looks like they don't belong, so go  
13    ahead.

14                    (REPORTER'S NOTE:  At this point, an  
15    in-camera session was held, which is contained in  
16    Volume 4, pages 237 through 241 of the transcript.)

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1 JUDGE WOODRUFF: All right. We've come  
2 out of the in-camera session. And Mr. Duffy, you  
3 indicated you're finished with your  
4 cross-examination; is that correct?

5 MR. DUFFY: That's correct.

6 JUDGE WOODRUFF: All right. I have no  
7 questions from the bench, so there's no need for  
8 recross. Is there any redirect?

9 MR. REED: Yes. May I, Judge?

10 JUDGE WOODRUFF: You certainly may.

11 MR. REED: All right.

12 REDIRECT EXAMINATION BY MR. REED:

13 Q. Ms. Jenkins, do natural gas  
14 transportation contracts contain many different  
15 provisions?

16 A. Yes, they do.

17 Q. Can you give me an example of some of  
18 those provisions?

19 A. They may specify maximum daily quantity,  
20 they may specify the term of the contract, they may  
21 specify changes possibly in the future, they may  
22 specify pricing provisions, whether or not a contract  
23 is firm or not firm, things of that nature.

24 Q. Do they -- do transportation contracts  
25 include provisions like receipt points and delivery

1 points?

2 A. Yes, they do.

3 Q. Performance obligations?

4 A. Yes.

5 Q. Would Staff evaluate every provision for  
6 prudence over the life of the entire contract?

7 A. No, I don't have time to do that in any  
8 given year.

9 Q. For instance, if it were a ten-year  
10 contract, would you examine every single provision  
11 and make a prudence determination?

12 A. No.

13 Q. Is it your experience that MGE would  
14 conduct a cost benefit analysis of every contractual  
15 provision that changes or could have changed due to a  
16 renegotiation of contracts?

17 A. Yes, I'm assuming that if they're making  
18 a change or the high point's proposing a change, that  
19 they want to evaluate what the impacts of that  
20 contract are on a going-forward basis.

21 Q. Have you seen any evidence that MGE  
22 personnel or their consultants have evaluated the  
23 daily send-out data used in all of their forecast to  
24 ensure it only includes load or firm sales customers?

25 A. No, and let me explain that.

1 Q. Please explain.

2 MR. DUFFY: Your Honor, I'm gonna -- I'm  
3 going to object to this line of questioning, because  
4 it doesn't appear to me that the issue of whether  
5 nonfirm or what some people call interruptible load  
6 was an issue that has been addressed in any of the  
7 prefiled testimony.

8 There was no allegation by Staff at any  
9 point in this case that somebody was including  
10 interruptible load in the calculations, and it  
11 appears that the Staff is trying to create a brand  
12 new issue here at the 59th minute of the 11th hour of  
13 this proceeding.

14 JUDGE WOODRUFF: In addition, I don't  
15 recall that this was brought up during cross. Can  
16 you refresh my memory whether this was brought up in  
17 cross? Because this is redirect.

18 MR. REED: Right. I understand, Judge.  
19 But I think in terms of what we're looking at is the  
20 provisions of the contracts that MGE may have looked  
21 at as well as Staff. And in this context, the  
22 question about whether, in reviewing the contracts  
23 that have been discussed, no doubt, in  
24 cross-examination, whether MGE would have evaluated  
25 the daily send-out for firm sales and/or



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1 interruptible customers. So I think it follows from  
2 the cross-examination.

3 JUDGE WOODRUFF: Mr. Duffy?

4 MR. DUFFY: I would respectfully  
5 disagree. There wasn't any kind of talk about -- or  
6 none of my questions reflected interruptible load or  
7 any provision in a contract dealing with  
8 interruptible load.

9 MR. REED: Well, the question -- well, I  
10 understand. The question asks about firm sales and  
11 maybe it's inferred and Mr. Duffy takes that by  
12 inference that we're talking about interruptible  
13 load. But the question is whether MGE personnel  
14 evaluated the send-out in their forecast to ensure  
15 that it includes only load-for-firm sales.

16 MR. DUFFY: Well, I'll interject an  
17 additional objection basis and that is, MGE filed the  
18 reliability reports that contained their analysis.  
19 If there is any indication in there about  
20 consideration of firm or unfirm load, it would -- the  
21 documents themselves would be the best evidence of  
22 that as opposed to her recollection of what they may  
23 or may not contain.

24 JUDGE WOODRUFF: I believe that this  
25 information is -- or this line of questioning is

1 beyond the questions that were asked in cross. On  
2 that basis I'm going to sustain the objection.

3 BY MR. REED:

4 Q. To your knowledge, were any MGE  
5 witnesses in this case directly or indirectly  
6 involved in the restructuring of the 2001 Southern  
7 Star contract?

8 A. The witnesses that -- Mr. Kirkland and  
9 Mr. Reed, no, were not involved in that decision.

10 Q. There was some discussion during the  
11 cross-examination about whether capacity had changed  
12 with this contract, the renegotiation of the  
13 contract, September 15th, 2001 I think it was signed.  
14 Was there a change in capacity?

15 A. Yeah, and I may have been confused  
16 during that. I tried to clarify it as I was  
17 answering Mr. Duffy's questions. In my direct  
18 testimony on page 9, I show what the capacity was in  
19 2000-2001 versus what it was in 2001-2002 and  
20 2002-2003. It does increase by 15,000 from 2000-2001  
21 to the following year.

22 Q. In your analysis, I think you call it a  
23 reliability review of MGE's work in this case, do you  
24 run more than one regression analysis?

25 A. Yes. And I've explained that in my

1 testimony as well. I looked at four years of data,  
2 both year-round and winter data, I looked at more  
3 recent two-year data, I looked at heating degree days  
4 greater than or equal to 30, I looked at heating  
5 degree days greater than or equal to 15. So I looked  
6 at many different regression analyses in the results  
7 to try to obtain reasonable estimates.

8 Q. Why did you do so many regression  
9 analyses?

10 A. I was trying to determine something that  
11 the company would accept as reasonable. I was trying  
12 to look at the results from that data to see whether  
13 it was something that could be used to predict.

14 The reason I did year-round is because  
15 some LDC's look at year-round data. The reason I  
16 looked at winter data is because some LDC's just look  
17 at winter data. The reason I looked at greater than  
18 or equal to 30 is because of the implication that  
19 maybe there's something different as the temperature  
20 is different. That's also the reason I did the  
21 heating degree day analysis greater than or equal to  
22 15.

23 As I plotted that data and looked at it,  
24 it did appear that there was some data that was only  
25 on one side of the line or the other at the lower

1 heating degree days, the warmer temperatures. Thus,  
2 I selected 15 based on what the plot looked like. It  
3 does appear that that data follows that line. It's  
4 on page 40 of my direct testimony. So that's why I  
5 evaluated that.

6 And in the end, there's two analyses  
7 that I compare. It's the one of the winter data of  
8 the four years and the heating degree data greater  
9 than or equal to 15, and both come out with  
10 comparable results for an adjustment. The greater  
11 than or equal to 15 actually looks at two results  
12 depending on how those contracts are structured.

13 And my proposed adjustment is within the  
14 range of that adjustment; therefore, I determined  
15 that I felt that it was reasonable. I did not think  
16 it was reasonable just to arbitrarily pick the lowest  
17 adjustment. I don't think that's fair to customers  
18 to always assume that the lowest adjustment is the  
19 appropriate adjustment.

20 Q. And so in defining the way or the method  
21 in which to determine whether, in your opinion, this  
22 disallowance is appropriate, you did this more than  
23 one way, correct? You looked at this more than one  
24 way?

25 A. I looked at the data in more than one

1 way, yes.

2 Q. Okay. So are you -- are you defining  
3 the only way that this can be done?

4 A. No. I'm looking at several possible  
5 reasonable ways of looking at the data.

6 Q. Some discussion about R squared value  
7 and we -- we heard a little bit about a textbook that  
8 Mr. Duffy has. Why is R squared important and how  
9 did it factor in?

10 A. R squared is important because it shows  
11 a relationship between heating degree days and usage.  
12 Mr. Duffy had me read this highlighted information  
13 from this textbook saying that just because the  
14 R squared is high doesn't mean it's linear. But  
15 that's one of the reasons I plotted the data, and I  
16 show one of those plots on page 40 of my testimony.  
17 It has the line on there. It shows the data  
18 following that line.

19 MGE apparently, in its lost analysis,  
20 assumed that line was linear because they say they do  
21 a regression analysis that uses base load and heat  
22 load. The consultant uses a regression analysis that  
23 uses base load and heat load. So they're assuming  
24 the relationship is linear. So if he's assuming now  
25 or making some comment that it isn't linear, that's

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1 new to me and it's -- you know, the data here that I  
2 see says that it is.

3               There may be a few points that are  
4 questionable, and I did ask MGE about some of those  
5 points and asked them to look at that in more detail  
6 and explain to me what could be causing that, and  
7 they simply said variability. I -- I don't think  
8 that that's a sufficient response. They also said it  
9 wasn't appropriate to look at any single data point  
10 compared to the peak day.

11              I did pursue the data to try to see if  
12 there were any other changes. I received daily data  
13 from MGE at one point, and then they indicated to me  
14 that that daily data would be changing. I asked them  
15 for that change data, they provided it. They  
16 explained that it was due to fuel which would  
17 indicate maybe two to three percent difference.

18              They indicated a conversion from MCF to  
19 MMBTU. To me, that would also indicate a 1 to 2  
20 percent difference, but I found differences as high  
21 as 39 percent on some days. And I sent a DR to MGE,  
22 DR-105.1, asking about that, and they assured me it  
23 was only due to fuel and the conversion to MMCF. But  
24 I have concerns about that, but I couldn't get any  
25 other information from the company; thus, I used the

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1 data.

2 Q. There were differences in the data.

3 You're telling me that MGE sent you data that was  
4 different on different occasions, correct?

5 A. Yes.

6 Q. Which was used by MGE in the reliability  
7 reports at issue?

8 A. I don't know what they used in their  
9 reliability reports.

10 Q. How many -- how many reliability reviews  
11 have you done now?

12 A. Well, schedule 1 in my direct testimony  
13 gives a summary at the time --

14 Q. I was just looking for a number.

15 A. Yeah.

16 Q. I know it's in your testimony.

17 A. 30 or 40.

18 Q. Let me ask you this: The reliability  
19 review, what we call a reliability review, does that  
20 come after the ACA period has run?

21 A. My review occurs after the ACA. The  
22 company's providing me information that it used for  
23 its planning purposes. Their review should occur  
24 prior to the ACA period.

25 Q. Okay. Their review was prior, your

1 review is after. Now, they prepare a reliability  
2 report as the ACA period begins -- or before,  
3 correct, or near the front end of the ACA period?  
4 "They", meaning the company, correct?

5 A. That's correct.

6 Q. Now, what is your -- what do you do with  
7 that initial reliability report?

8 A. I review the information that's in the  
9 reliability report. As I have time, I request the  
10 backup data that went into developing that report.  
11 If they've done a regression analysis, I ask for that  
12 data.

13 Sometimes I simply check the outputs,  
14 other times I try to recreate that to see if I'm  
15 getting similar results. I'll look at the contracts  
16 to try to verify that the information they have about  
17 the contracts in the reliability report is what is  
18 accurate. In general, I just try to confirm the type  
19 of information that they've provided in that report.

20 Q. Is it the full analysis, the same as you  
21 do at the end after the ACA period runs?

22 A. I'm not sure I understand your question.

23 Q. Well, I asked you about what you do at  
24 the up-front when the reliability report comes in at  
25 the beginning of the ACA period.



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1           A.       I misunderstood.

2           Q.       Okay.

3           A.       The company conducts the analysis up  
4 front.

5           Q.       Yes.

6           A.       They don't necessarily provide it before  
7 the ACA period begins. Some do, some don't. I don't  
8 review that report generally until after the ACA  
9 period.

10                    If I have time, I might glance at it. I  
11 might offer some comments and I have done that before  
12 with MGE regarding that reliability report that is in  
13 my schedule 13 that Mr. Duffy asked about. But in  
14 general, I don't review and comment on the  
15 reliability reports until I do the ACA review which  
16 occurs after the period has ended.

17           Q.       All right. In your opinion,  
18 Ms. Jenkins, is the use of the one data point to  
19 forecast their demand, is that reasonable?

20                    MR. DUFFY: Objection, your Honor. We  
21 didn't ask questions about the one data point, the  
22 reasonableness.

23                    MR. REED: Well, I think the response to  
24 whether the job MGE did was sloppy or not was that  
25 the use of a single data point was sloppy, so I think

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1 I can follow up.

2 JUDGE WOODRUFF: I'll overrule the  
3 objection. You can answer the question.

4 THE WITNESS: I don't believe that it's  
5 appropriate. I don't believe it's appropriate to use  
6 one data point. You can't determine what the shape  
7 of the line is with one data point. They were  
8 assuming old data for the base load and that's how  
9 they came up with the line, but I don't believe it's  
10 appropriate to use one data point. You don't know  
11 whether that would generally follow above or below a  
12 line, you don't know where -- you can't make  
13 determinations from one data point.

14 BY MR. REED:

15 Q. Did you receive explanations from MGE  
16 about why they used the single data point?

17 A. Well, the reliability report refers to a  
18 regression analysis, but I can't confirm that because  
19 they can't provide that regression analysis.

20 Q. Can you do a regression with one data  
21 point?

22 A. You can't do a regression with one data  
23 point.

24 Q. Statistically speaking, is there a  
25 minimum number of data points you would need in order

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1 to do a regression?

2 A. In my experience in working with  
3 statistics in the classes that I've taken, they're  
4 generally encouraging you to look at at least 30 data  
5 points. And in fact, MGE did look at more data  
6 points but they only looked at 12 and they only  
7 looked at three a year for four years as a follow-up.  
8 That's what the consultant did.

9 I still don't think that's sufficient  
10 values, and I communicated that with the company, but  
11 they were not willing at the time to move off of the  
12 12 data points.

13 Q. And I think Mr. Reed, the consultant,  
14 used 12 data points as well, correct?

15 A. That's correct.

16 Q. Why is your base load different from  
17 that calculated by MGE?

18 A. The base load is different is because I  
19 look at different data than they do. They're looking  
20 at summer load to determine that base load. I am  
21 looking at winter usage and letting the regression  
22 analysis tell me what the shape of that line is and  
23 if the output of that shows you what the constant  
24 value is.

25 It's simply trying to define the shape

1 of the line and what that value is at zero heating  
2 degree days or what is being referred to as the base  
3 load. They look at summer data. I don't think it's  
4 appropriate to look at that or to at least look at --  
5 to see if there's some other constant factor that's  
6 occurring during the winter months.

7 MR. REED: Just one moment, Judge.

8 JUDGE WOODRUFF: Sure.

9 BY MR. REED:

10 Q. Ms. Jenkins, is it your responsibility  
11 to do the planning for MGE?

12 A. No. I review the planning that they've  
13 done.

14 Q. After the ACA has run?

15 A. That's correct.

16 Q. Would usage by a power plant generally  
17 be seen in summer usage?

18 A. If -- you mean if that power plant  
19 were -- had gas flowing through that city gate, yes,  
20 the usage would be higher in the summer months,  
21 especially, you know, in July and August when that --  
22 if the temperatures got really warm and they were  
23 using natural gas.

24 Q. So that could explain --

25 A. (Witness nodded.)

1                   MR. DUFFY: Your Honor, I'm gonna object  
2 again. He's doing a back door approach to what you  
3 excluded before about interruptible loads because the  
4 implication is the power plant's gonna have an  
5 interruptible load. And so he's trying to do the  
6 same thing you told him not to do earlier. I move to  
7 strike the question and the answer.

8                   MR. REED: Absolutely not, your Honor.  
9 It's about base load, and I think the response was  
10 right on point with regard to how the base load can  
11 be different. And Mr. Duffy asked about base load,  
12 and I've explained why Ms. -- Ms. Jenkins is correct  
13 in her assessment of base load.

14                  JUDGE WOODRUFF: I'm gonna overrule the  
15 objection. There was discussion about base load  
16 during the cross-examination so you can proceed.

17                  MR. REED: That's all I have.

18                  JUDGE WOODRUFF: Did she complete her  
19 answer on that one?

20                  THE WITNESS: (Nodded head.)

21                  MR. REED: Did the court reporter get  
22 it? That's what we need.

23                  THE COURT REPORTER: Yes, sir.

24                  JUDGE WOODRUFF: Okay. So no further  
25 redirect, then? Ms. Jenkins, you may step down. And

1 I believe that completes the evidence today.

2 The only main question, then, is the  
3 filing of the post-hearing brief. I was looking at  
4 approximately 20 days after the transcript is filed.  
5 I don't know exactly when that will be.

6 What I anticipate doing, then, is after  
7 the transcript is filed, I will send out a notice in  
8 the case letting you know exactly when the brief is  
9 due. Does anyone have any views on that?

10 MR. DUFFY: Your Honor, for MGE I would  
11 like to have some kind of approximation of how long  
12 it takes the transcript under normal circumstances.

13 JUDGE WOODRUFF: Normally it's ten days  
14 so we're looking somewhere around, probably around  
15 the 1st of October for the briefs to be due.

16 MR. DUFFY: Are you gonna require  
17 Proposed Findings of Fact and Conclusions of Law  
18 simultaneously with the brief or is that gonna come  
19 at a different time?

20 JUDGE WOODRUFF: What would you prefer?

21 MR. DUFFY: Well, I don't have a problem  
22 doing both of them if the time period is extended a  
23 little bit in order to do them both at the same time.  
24 I would think somewhere in the -- in maybe 30 to 40  
25 days after the transcripts are available, I would be

1 prepared to be able to file those, but I would also  
2 defer whether Staff has scheduling problems with  
3 that.

4 JUDGE WOODRUFF: Mr. Reed, what's your  
5 view on that?

6 MR. REED: That's fine, Judge.

7 JUDGE WOODRUFF: All right. Well, let's  
8 look at the filing of briefs and Proposed Findings of  
9 Fact, Conclusions of Law, let's say about 40 days  
10 after the transcript is filed. And when the  
11 transcript is filed, I'll send out the notice citing  
12 that.

13 MR. DUFFY: Thank you, your Honor.

14 JUDGE WOODRUFF: Thank you. Anything  
15 further?

16 (NO RESPONSE.)

17 JUDGE WOODRUFF: All right. With that,  
18 then, we are adjourned. Thank you.

19 (WHEREUPON, the hearing in this case was  
20 concluded.)

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