

Exhibit No.:

*Issues: Purchasing Practices-Eastern System;
Purchasing Practices-Southern
System; Reliability Analysis*

Witness: Lesa A. Jenkins

Sponsoring Party: MoPSC Staff

Type of Exhibit: Rebuttal Testimony

*Case Nos.: GR-2000-520 & GR-2001-461
(Consolidated)*

Date Testimony Prepared: November 20, 2002

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

LESA A. JENKINS

**AQUILA NETWORKS
D/B/A MISSOURI PUBLIC SERVICE**

**CASE NOS. GR-2000-520 AND GR-2001-461
(Consolidated)**

**Jefferson City, Missouri
November 2002**

****Denotes Highly Confidential Information****

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

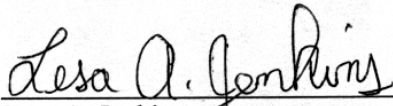
In The Matter of Aquila Networks-MPS')	
Purchased Gas Adjustment Factors to be)	
Reviewed in its 1999-2000 Actual Cost)	Case No. GR-2000-520
Adjustment)	

In The Matter of Aquila Networks-MPS')	
Purchased Gas Adjustment Factors to be)	
Reviewed in its 2000-2001 Actual Cost)	Case No. GR-2001-461
Adjustment)	

AFFIDAVIT OF LESA A. JENKINS

STATE OF MISSOURI)	
)	ss.
COUNTY OF COLE)	

Lesa A. Jenkins, being of lawful age, on her oath states: that she has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 13 pages to be presented in the above case; that the answers in the following Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.



Lesa A. Jenkins

Subscribed and sworn to before me this 19th day of November 2002.





TONI M. CHARLTON
NOTARY PUBLIC STATE OF MISSOURI
COUNTY OF COLE
My Commission Expires December 28, 2004

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LESA A. JENKINS
CASE NO. GR-2000-520 AND GR-2001-461
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REBUTTAL TESTIMONY

OF

LESA A. JENKINS

AQUILA NETWORKS - MPS

CASE NOS. GR-2000-520 AND GR-2001-461

CONSOLIDATED

Q. Please state your name and business address.

A. Lesa A. Jenkins, P.O. Box 360, Jefferson City, Mo. 65102.

Q. By whom are you employed and in what capacity?

A. I am a Regulatory Engineer in the Procurement Analysis Department with the Missouri Public Service Commission (Commission).

Q. Are you the same Lesa A. Jenkins who filed direct testimony in this case?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the direct testimony of Aquila Networks – MPS (MPS or Company) witness Shawn Gillespie related to Staff’s proposed purchasing practices adjustment for the Eastern System and the Southern System.

PURCHASING PRACTICES EASTERN SYSTEM

Q. Do you agree with Mr. Gillespie's statement (Gillespie direct testimony, p. 6, ll. 12-15) that if the winter of 2000/2001 had been warmer than normal there would be no hedging recommendation in this case since natural gas spikes would not have occurred?

1 A. Staff cannot assure the Commission that the natural gas spikes would not have
2 occurred in a warmer than normal winter. Even in a winter that is warmer than normal, there
3 could be a few extremely cold days that could have impacted storage levels and natural gas
4 prices. However, if the Company's actions had not resulted in a detriment to the customers,
5 then there would be no dollar disallowance to propose.

6 Q. Do you agree with Mr. Gillespie's statement (Gillespie direct, p. 6, ll. 19-20
7 and p. 7, ll.1-2) that the 30% hedged standard relies on hindsight and assumes MPS has the
8 ability to predict the weather consistently and accurately?

9 A. No. As noted in my direct testimony, Staff evaluated the anticipated normal
10 usage, minimum usage, and maximum usage for each month of November 2000 through
11 March 2001 by using the Company's estimate of base load usage; heat load factor and
12 normal month temperatures, warmest month temperatures, and coldest month temperatures
13 for these months; and the Company's estimate of growth. This information was available to
14 the Company prior to the winter of 2000/2001. The Staff has used 30% of normal as a
15 minimum level of hedge for the winter of 2000/2001 and as shown in Schedule 1-1 of my
16 direct testimony. This is well below the minimum usage that could be expected for the
17 warmest weather that could be encountered in each of the winter months of November
18 through March.

19 Q. Do you agree with Mr. Gillespie's statement (Gillespie direct, p. 8, ll. 17-21)
20 that the hedging of 8,400 Dth/Day demonstrates an intention to hedge requirements on the
21 Eastern System?

22 A. No. All of this hedged volume was allocated to the Southern System, which
23 flows natural gas on a different pipeline than that utilized by the Eastern System.

1 Additionally, there was no documentation provided for the Eastern System purchases
2 supporting that any of the natural gas purchased for the Southern System for the winter of
3 2000/2001 was to be allocated to the Eastern System. If adequate checks and balances had
4 been in place, Staff believes that the Company would have noticed early in the winter that the
5 intention to hedge 50% for the Eastern System was not to be realized. However, the
6 Company provided no support that this was noticed prior to the filing of the 2000/2001 ACA.

7 **PURCHASING PRACTICES – SOUTHERN SYSTEM**

8 Q. Do you agree that it is appropriate for the Company to base first of the month
9 requirements on normal weather (Gillespie direct, p.11, ll.2-6)?

10 A. In my opinion it is not appropriate for the Company to only consider normal
11 weather. Prior to determining first of the month requirements, Staff believes the Company
12 should have evaluated warmest month and coldest month or coldest season customer
13 requirements for natural gas. Although these are extremes, these represent real possibilities
14 with warmest weather being a concern because of the need to address possible excess supply
15 over demand and coldest weather being a concern because of the need to address additional
16 natural gas requirements and because of the concern to customers who will have more usage
17 and thus higher bills. Planning for these scenarios would have prepared the Company for
18 reasonable actions to take when the weather is warm or cold. This would assure that
19 reasonable guidelines are in place for determining first-of-the-month nominations for natural
20 gas. These first-of-the-month nominations, along with intra-month changes to flowing gas
21 with contracts such as swing contracts, would have an affect on the volume of gas withdrawn
22 from storage; swing contracts can allow the Company to nominate additional volumes of
23 flowing natural gas for one day or multiple days in the month.

1 Q. Do you agree with Mr. Gillespie's statement that if the Company plans for
2 colder than normal weather, MPS may have excess gas (Gillespie direct, p. 11, ll. 3-4)?

3 A. Yes. However, Staff is not stating that the Company should nominate first-of-
4 the-month volumes of natural gas so that flowing gas meets cold month requirements. Cold
5 weather requirements are also satisfied through the use of daily market spot purchases, swing
6 contracts and storage.

7 Q. Do you agree with Mr. Gillespie's statement that if the Company plans for
8 warmer than normal weather, MPS may not have enough monthly gas requiring purchasing
9 gas in the daily market at potentially higher gas prices (Gillespie direct, p. 11, ll. 4-6)?

10 A. No. If the Company had nominated first-of-the-month volumes of gas to meet
11 warmest November requirements, then the Company would have nominated more base load
12 and term flowing gas than it actually nominated for November 2000; the Company defines
13 base load supplies as volumes fixed for a period of 30 – 31 days, term supplies as volumes
14 fixed for a period of greater than 30 days and swing supplies as volumes set for a period of
15 less than 30 days. Staff believes that the Company would then have relied on storage
16 withdrawals, swing gas, and spot purchases to meet requirements above that provided by the
17 contracted base load and term flowing natural gas volumes.

18 Q. Do you agree with Mr. Gillespie's statement that if the Company had
19 nominated more natural gas for the month of November, then if the weather had been warmer
20 than normal, MPS would have had excess supplies (Gillespie direct, p. 13, ll. 7-10)?

21 A. No. If the Company nominates volumes of first-of-the-month natural gas to
22 meet requirements for a warmest November, then if the weather were actually the warmest
23 November, there would be no net injections of gas for the month. Although the weather may

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1 be exceptionally warm on some of these days, the weather would also be colder on other
2 days. By nominating for the warmest November, the Company would have injections on
3 some days and withdrawals on other days, and at the end of the month the net injections or
4 withdrawals would be near zero. ** HC

5 HC

6 HC **

7 Q. Is Staff stating that first-of-the-month nominations should be based on cold
8 weather?

9 A. No. Staff is stating that the storage withdrawal plan should contain guidelines
10 that consider the potential for cold weather to assure that adequate volumes of storage gas is
11 available for withdrawal later in the winter and to assure that the flowing gas and storage
12 withdrawals are within the requirements of the interstate pipeline's transportation tariff.

13 Q. Is Staff stating that first-of-the-month nominations should be based on warm
14 weather?

15 A. Yes. Staff is stating that for the months of November through January, the
16 Company should nominate first-of-the-month flowing supplies to meet warmest November,
17 warmest December and warmest January requirements. Additionally, Staff is stating that the
18 first-of-the-month nominations for December and January should be adjusted if too much
19 storage was withdrawn or injected in November and December.

20 Q. Do you expect the Company to plan for all potential weather patterns?

21 A. No. Staff is stating that the Company should at a minimum plan for extremes
22 that would have the greatest impact on the required volumes of natural gas and thus would
23 impact the storage plan. ** HC

1 HC

2 HC

3 HC ** Guidelines for making adjustments to
4 volumes of base load, term and swing volumes of flowing natural gas, which will affect the
5 volume of storage injected or withdrawn, have not been provided.

6 Q. Why is this a concern?

7 A. Since storage enhances reliability in colder weather (Gillespie's direct, p. 12,
8 ll. 12-19), adequate inventory must be in place as part of the supply plan for cold weather
9 requirements whether the cold weather occurs in November or February. ** HC

10 HC

11 HC

12 HC

13 HC ** And, since storage provides price stability during periods of
14 colder weather (Gillespie direct, p. 12, ll. 12-19), adequate inventory must be in place as part
15 of the supply plan for cold weather requirements whether the cold weather occurs in
16 November or February.

17 Q. Are there any other reasons why storage inventory levels should be of concern
18 to the Company?

19 A. Yes. ** HC

20 HC

21 HC

22 HC

23 HC **

1 Q. Do you agree with Mr. Gillespie's statement that the Southern System's use of
2 storage in November 2000 is consistent with the national trend (Gillespie direct, p. 14, ll. 19-
3 23 and p.15, ll. 1-2)?

4 A. No. ** HC

5 HC

6 HC ** From information presented by Mr. Gillespie from the American Gas
7 Association, the actual national November 2000 storage withdrawal was 1.81 times the
8 previous five-year average November withdrawals (actual of 246 Bcf versus five-year
9 average of 136 Bcf). However, Staff is not calculating the proposed adjustment based on
10 national storage figures. Different companies utilize storage in different manners. For
11 example, some companies contract for only enough storage to meet requirements for a
12 limited number of extremely cold days each year. Some companies contract for sufficient
13 storage volumes to assist in meeting minimum monthly winter requirements – even for
14 warmest winter weather – and this may be nominated volumes. Some companies contract for
15 sufficient storage volumes to assist in meeting requirements when the weather is colder than
16 normal. Some companies have numerous storage contracts and one or more of the contracts
17 may only be intended to provide daily flexibility for nominations that exceed or are below
18 the actual requirements, and for some of these contracts the company may only plan to fill
19 the storage to 50% at the start of the winter to allow flexibility for large injections in early
20 winter.

21 Additionally, if the Company had planned on first-of-the-month nominations to
22 cover warmest November requirements, less natural gas would have been pulled from
23 storage in November 2000. Staff is not stating that more natural gas should have been pulled

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1 from the daily market as noted in Mr. Gillespie's direct testimony (Gillespie direct, p. 19,
2 ll. 2-22 and p. 20, ll. 1-13).

3 Q. Do you agree with Mr. Gillespie's statement that the Southern System's use of
4 storage in December 2000 is consistent with the national trend (Gillespie direct, p. 18,
5 ll. 5-11)?

6 A. No. ** HC

7 HC

8 HC ** From information provided by Mr. Gillespie from the American Gas
9 Association, the actual national December 2000 storage withdrawal was 1.70 times the
10 previous five-year average December withdrawals (actual of 773 Bcf versus five-year
11 average of 455 Bcf). As stated previously in this rebuttal testimony, Staff is not calculating
12 the proposed adjustment based on national storage figures.

13 Staff would expect the Company to increase planned nominations for December
14 2000 to offset the excess storage withdrawals in November 2000, as stated in the Company's
15 plan for storage. As stated in my direct testimony, for December 2000, Staff would have
16 expected the Company to have planned on even more base load or term supplies, as first-of-
17 the-month nominations, to adjust for over-utilization of storage withdrawals in November
18 2000. A higher level of base load and/or term supplies nominated as first-of-the-month
19 supplies would have resulted in lower storage withdrawals for December 2000. Staff is not
20 stating that more natural gas should have been pulled from the daily market as noted by Mr.
21 Gillespie (Gillespie direct, p. 19, ll. 2-22 and p. 20, ll. 1-13).

22 Q. Please continue.

1 A. Mr. Gillespie's direct testimony raises the issue of Operation Flow Orders and
2 the impact that these have on the availability of finding daily natural gas supplies (Gillespie
3 direct, p. 21, ll. 4-23 and p.22, ll. 1-16). Again, Staff is not stating that more natural gas
4 should have been pulled from the daily market in November and December 2000. Staff is
5 stating that more term and base load natural gas should have been made for first-of-the-
6 month nominations for November and December 2000. This would have put storage
7 inventory at a better position at the end of December when decisions were being made for
8 nominating natural gas supplies for January 2001.

9 Q. Did storage provide price stability in November and December 2000 by
10 avoiding purchases of daily priced gas when gas prices are higher as indicated by the
11 Company (Gillespie direct, p. 11, ll. 15-21, p. 12, ll. 12-13, and p. 15, ll. 15-16)?

12 A. Yes. However, when the weather was cold as in November 2000 and prices
13 are rising, the Company would also want to consider whether storage should be reserved for
14 later in the winter if daily prices are expected to continue to be high. This would have
15 impacted the decisions for purchases of swing gas in November 2000 and decisions that
16 would be made in November 2000 for first-of-the-month natural gas purchases for December
17 2000. As cold weather was experienced in December 2000, the Company would again need
18 to consider storage inventory levels and the expected daily price of natural gas in decisions to
19 utilize storage withdrawals and/or swing contracts to meet the added natural gas requirements
20 for December 2000 cold weather. So an additional concern that Staff believes the Company
21 should have considered in determining flowing gas volumes in November and December
22 2000 is how these decisions would affect the natural gas supply plan for January through
23 March 2001.

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1 Q. Do you agree with Mr. Gillespie's statement that Staff did not take into
2 consideration costs from the daily market (Gillespie direct, p. 20, ll. 4-7)?

3 A. No. Staff's calculation is driven by adjustments to the Company's first-of-the-
4 month nominations and thus the calculated adjustment reflects first-of-the-month price. This
5 is explained further in Staff witness Phil Lock's rebuttal testimony.

6 Q. Do you agree with Mr. Gillespie's statement that MPS had reliability and gas
7 price concerns heading into January 2001 (Gillespie direct, p. 22, ll. 7-8)?

8 A. Yes. Prices and storage inventory were a concern. As indicated in Schedule 8
9 of my direct testimony, the Company had pulled more total storage than planned at the end of
10 December 2000. So Staff believes that the Company should have planned to increase
11 January first-of-the-month nominations for term and base load gas to offset the excess
12 withdrawal from storage.

13 The difference between the Staff position and the Company position is that the
14 Company's decisions at the end of December 2000 called for pulling no storage for January
15 2001 if the weather had been normal. Staff believes that the Company should have planned
16 on storage withdrawal in January 2001, but at a reduced level. ** HC

17 HC

18 HC

19 HC

20 HC

21 HC

22 HC

23 HC

1 HC ** This is presented more clearly in my direct testimony (Jenkins
2 direct, Schedule 8). Additionally, if the Company had nominated more term and base load
3 natural gas supplies in November and December 2000, as previously supported by Staff, then
4 the storage inventory level would not have been so low going into January 2001.

5 Q. Is this the basis for Staff's adjustment?

6 A. Not entirely. Staff considered each month of the winter season November
7 2000-March 2001. The Staff adjustment is shown in my direct testimony (Jenkins direct,
8 Schedules 9-1 and 9-2) and shows a credit for December 2000 and March 2001 and a charge
9 in November 2000, January 2001 and February 2001. Staff believes that the Company failed
10 to adequately plan for anything but normal weather because no written guidelines were in
11 place on how to adjust first-of-the-month nominated supplies when weather is colder or
12 warmer than normal. Staff's adjustment is made based on what Staff believes are reasonable
13 guidelines for first-of-the-month nominations.

14 Staff would expect the Company to plan on base load and term supplies to cover
15 warmest month requirements for November. Staff would then expect the Company to revise
16 first-of-month nominations for December 2000 and January 2001 to cover warmest month
17 requirements, adjusted up or down based on whether storage had been over-or under-utilized
18 to-date. Decisions would also be made in each month for swing supplies and spot supplies
19 and Staff would expect that storage inventory level, weather and price would be
20 considerations. Decisions for February and March 2001 first-of-the-month nominations
21 would also consider storage inventory levels.

1 Q. Reliability concerns were raised in Mr. Gillespie's testimony (Gillespie direct,
2 p. 24, ll. 4-7). If January had been cold, would Staff's proposal have resulted in reliability
3 concerns for natural gas supply?

4 A. No. The Staff plan would have resulted in a storage inventory of 75.8% of the
5 maximum storage quantity (% of MSQ) at the end of November and 58.5% of the MSQ at
6 the end of December 2000. If January had normal weather and no swing supplies were
7 purchased, the storage inventory at the end of January 2001 would have been 31.6% of the
8 MSQ. ** HC

9 HC

10 HC

11 HC ** However, the coldest February has 1,341
12 HDD and the coldest January has 1,637 HDD. If January had experienced coldest month
13 weather, Staff believes the Company would have considered remaining winter requirements
14 (February and March) in the decision to nominate swing supplies versus withdrawing more
15 storage in January. If coldest month weather had been encountered in January 2001, the
16 Company plans for February and March 2001 would have also changed.

17 Q. Do you agree with the statement made by Mr. Gillespie that Staff asserts that
18 MPS should have known the weather during November and December 2000 was going to be
19 much colder than normal (Gillespie direct, p. 27, ll. 10-14)?

20 A. No. As noted in my direct testimony and this rebuttal testimony, Staff
21 assumptions for the adjustment assume that the Company should have nominated first-of-the-
22 month term and base load gas to meet warmest November – January weather, with

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1 adjustments in December and January for actual known storage inventory levels. Warmest
2 month weather data is information that the Company should have known.

3 Q. Does this conclude your rebuttal testimony?

4 A. Yes.

SCHEDULE 1

IS DEEMED

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