

Exhibit No.:	
Issue:	Refunds and Operational and Reliability Issues
Witness:	James J. Massmann
Type of Exhibit:	Rebuttal Testimony
Sponsoring Party:	Union Electric Company d/b/a AmerenUE
Case No.:	GC-2006-0491
Date Testimony Prepared:	October 5, 2006

MISSOURI PUBLIC SERVICE COMMISSION

Case NO. GC-2006-0491

REBUTTAL TESTIMONY

OF

JAMES J. MASSMANN

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

Submitted on Behalf

Of

UNION ELECTRIC COMPANY

d/b/a AmerenUE

October 6, 2006

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Staff of the Missouri Public Service
Commission,

Complainant,

v.

Missouri Pipeline Company, LLC and Missouri
Gas Company, LLC

Respondents.

Case No. GC-2006-0491

AFFIDAVIT OF JAMES J. MASSMANN

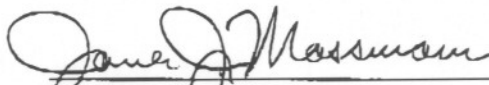
STATE OF MISSOURI)

) SS

CITY OF ST. LOUIS)

James J. Massmann, being first duly sworn on his oath, states:

1. My name is James J. Massmann. I am a Manager, Gas Supply at Ameren Energy Fuels and Services Company.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony consisting of 9 pages and Exhibit A, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.


James J. Massmann

Subscribed and sworn to before me this 5th day of October, 2006.




Notary Public

1 **PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI**

2 **Case NO. GC-2006-0491**

3 **REBUTTAL TESTIMONY**

4 **OF**

5 **JAMES J. MASSMANN**

6 **UNION ELECTRIC COMPANY**

7 **d/b/a AmerenUE**

8
9 **Q. Please state your name and business address.**

10 A. My name is James J. Massmann, AmerenEnergy Fuels and Services Company (AFS),
11 One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri.

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

13 A. I am the Manager, Gas Supply, in the Gas Supply Division of AFS.

14 **Q. Please briefly describe AmerenEnergy Fuels and Services Company.**

15 A. AFS is an affiliate of Union Electric Company d/b/a AmerenUE (AmerenUE) which is
16 charged with acquiring and managing natural gas and generation fuel resources for all of
17 the Ameren-affiliated companies including Ameren's gas distribution utilities and power
18 generation companies.

19 **Q. Please describe your pertinent employment history.**

20 A. I was employed by Union Electric Company (UE) in August 1982 and by Ameren
21 Corporation (Ameren) upon the December 1997 merger between UE and Central Illinois
22 Public Service Company. Prior to being promoted to the position of Manager, Gas
23 Supply, I held several positions in the Gas Supply Division, including Natural Gas
24 Supply and Transportation Director, Gas Supply Executive and Gas Systems Analyst.

1 Prior to that, I was a Resource Planning Engineer in the Corporate Planning Department,
2 Engineer in the Engineering & Construction Department, and Engineer in the Nuclear
3 Engineering Department.

4 **Q. Please describe your educational background.**

5 A. I received a Bachelor of Science degree in Mechanical Engineering in 1980 and a
6 Masters of Science degree in Engineering Management in 1986, both from the University
7 of Missouri – Rolla.

8 **Q. What are your duties and responsibilities as Manager, Gas Supply?**

9 A. My primary responsibility is to direct the management and procurement of reliable and
10 economic gas supply, transportation and storage services for Ameren affiliates, including
11 AmerenUE's gas distribution system, gas fired generation owned by Ameren affiliates,
12 and also manage Ameren's End User Transportation group. I also participate in
13 proceedings before the Federal Energy Regulatory Commission (FERC) involving
14 AmerenUE's interstate pipeline suppliers and before this Commission relating to
15 AmerenUE's gas distribution systems. Finally, I oversee business activities including gas
16 supply acquisition, price hedging, transportation and storage capacity acquisition, and
17 system operations.

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

19 A. The purpose of my testimony is to ensure that AmerenUE receives reliable gas
20 transportation service at just and reasonable rates and the full benefits of any refunds
21 from Missouri Pipeline Company (MPC) and Missouri Gas Company (MGC) in this
22 complaint case for alleged violations of their filed tariff provisions. It is important to
23 AmerenUE and its customers that MPC and MGC rates are just and reasonable, and in

1 compliance with all applicable tariffs. AmerenUE is concerned about the lost and
2 unaccounted for gas percentage charged by MPC and MGC. More generally, AmerenUE
3 is concerned about the operations, reliability and financial viability of the MPC and MGC
4 pipelines to serve AmerenUE customers in the Wentzville and Rolla areas.

5 **Q. In what ways does AmerenUE rely upon MPC?**

6 A. AmerenUE's Wentzville, Missouri area is one of the fastest growing residential and
7 commercial areas in the state. There are approximately 16,000 gas customers in the area,
8 and nearly 1,500 new gas customers are added each year. Natural gas is delivered to the
9 AmerenUE distribution system in this area through pipeline interconnections with
10 Panhandle Eastern Pipeline (PEPL) and MPC. The PEPL interconnection provides
11 natural gas at the northern end of the distribution system, which is less populated. The
12 MPC interconnections provide natural gas at two key points in the distribution system,
13 nearest the high population centers. MPC is an intrastate pipeline, connecting the PEPL
14 pipeline with various distribution systems within Missouri. Natural gas is purchased in
15 the production area, transported on PEPL, and then transported on MPC to the
16 AmerenUE city gates for delivery to AmerenUE customers. MPC relies upon PEPL for
17 delivery of supply and the pressure necessary to transport the gas to MPC's customers.
18 AmerenUE also uses MPC to transport natural gas through central Missouri to MGC
19 which in turn delivers the gas to AmerenUE's natural gas distribution systems in Rolla,
20 Owensville and Salem, Missouri.

21 **Q What are AmerenUE's concerns about the service it receives from MPC?**

22 A. AmerenUE has been able to support the growing gas demand in the Wentzville area
23 through its own system upgrades. However, there is growing concern that the operating

1 pressures experienced at the AmerenUE interconnections with MPC will not be able to
2 support the gas demand in the next few years. Without significant improvement in
3 pressure support from MPC, it will be necessary for AmerenUE to build significant
4 transmission pipeline facilities back to PEPL. These costs for the AmerenUE customers
5 may be avoided if MPC is able to support higher operating pressures in the Wentzville
6 area. Although pipeline pressure on MPC is dependent upon the pressure it receives from
7 PEPL, MPC can affect the pressure by maintaining proper balance between receipts and
8 deliveries on the MPC pipeline and making system improvements in the future.

9 **Q In what ways does AmerenUE rely upon MGC?**

10 A. As indicated previously, natural gas is delivered by MGC to the AmerenUE distribution
11 system in Rolla, Owensville, and Salem, Missouri through pipeline interconnections
12 between MPC and MGC.

13 **Q What are AmerenUE's concerns about the service it receives from MGC?**

14 A. AmerenUE's primary concern with MGC is the high cost of delivered gas it creates
15 compared to other AmerenUE systems and its impact on the PGA rate surcharge for
16 AmerenUE's Rolla System. The incremental rate related to the cost of the transportation
17 on MGC is currently \$0.4207 per Ccf. Under the existing purchase gas adjustment
18 (PGA) currently in effect, this incremental rate, due to MGC transportation costs, results
19 in a total PGA rate of \$1.3823 per Ccf, which is one of the highest PGA rates in the State
20 of Missouri. The PGA rate for customers receiving transportation service from MGC is
21 46% higher than the PGA rate for customers in the Jefferson City, Columbia and
22 Wentzville, Missouri areas. The rate for transportation service on the MGC pipeline for a
23 distance of only about 30 miles is three times greater than the rate on the MPC pipeline,

1 with a transportation distance of approximately 50 miles. Ultimately, AmerenUE is
2 concerned that it is charged just and reasonable rates by MGC for gas transportation
3 service.

4 **Q. Why should AmerenUE receive any refunds from MPC/MGC if refunds are**
5 **determined by the Commission to be appropriate in this case?**

6 A. According to the allegations made by Staff in this case, MPC and MGC may have given
7 its affiliate, Omega Pipeline Company (Omega), discounted rates along with operational
8 and accounting information. The alleged rate reductions given to MPC and MGC
9 affiliates, which would be in violation of the MPC/MGC tariff provisions, have not been
10 made available to AmerenUE. According to MPC/MGC tariffs, the lowest transportation
11 rate charged to an affiliate shall be the maximum rate that can be charged to a non-
12 affiliated company such as AmerenUE. In addition, any discounted rates to affiliates that
13 are lower than rates currently paid by non-affiliated companies should become the new
14 maximum tariff rates for MPC and MGC.

15 **Q. What are the terms of the transportation contracts held by AmerenUE with MPC**
16 **for which you expect to receive refunds and rate relief?**

17 A. AmerenUE currently has one transportation contract with MPC, which provides natural
18 gas transportation service to AmerenUE customers in the Missouri counties of Lincoln,
19 Montgomery, St. Charles, Warren, Dent, Gasconade, and Phelps, under capacity
20 agreement MP 1013-TAF. The maximum daily contract quantity (MDCQ) of the
21 contract is 17,837 MMBtu per day. The reservation rate, which is the maximum tariff
22 rate, for this MDCQ is \$4.3181 per MMBtu, for an annual cost of \$924,263. The
23 transportation commodity rate had been discounted from the maximum commodity rate

1 of \$0.1699 per MMBtu over the past several years. This discount expired on September
2 30, 2006, and the current rates are maximum tariff rates. The actual commodity rates and
3 annual costs are listed in Exhibit A attached hereto and incorporated herein.

4 **Q. What are the terms of the transportation contracts held by AmerenUE with MGC**
5 **for which you expect to receive refunds and rate relief?**

6 A. AmerenUE currently has three transportation contracts with MGC, which provides
7 natural gas transportation service to AmerenUE customers in the Missouri cities of Rolla,
8 Salem and Owensville.

9 Contract MG-1002-TAF defines the services and rates for the city of Rolla, Missouri.

10 The MDCQ of the contract, since January 2003, is 3,437 MMBtu per day. The
11 reservation rate, which is the maximum tariff rate, for this MDCQ is \$13.1766 per
12 MMBtu. The monthly reservation rate had been discounted by ** ____ **. This discount
13 expires on October 31, 2006, and the rates will go to the maximum tariff rates. The
14 actual commodity rates and annual costs are listed in Exhibit A attached hereto and
15 incorporated herein.

16 Contract MG-1005-TAF defines the services and rates for the city of Salem, Missouri.

17 The MDCQ is 2,500 MMBtu per day. The reservation rate, which is the maximum tariff
18 rate, for this MDCQ is \$13.1766 per MMBtu. The monthly reservation rate is discounted
19 by only ** ____ **. The actual commodity rates and annual costs are listed in Exhibit A
20 attached hereto and incorporated herein.

21 Contract MG-1006-TAF defines the services and rates for the city of Owensville,

22 Missouri. The MDCQ is 1,900 MMBtu per day. The reservation rate, which is the

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1 maximum tariff rate, for this MDCQ is \$13.1766 per MMBtu. The actual commodity
2 rates and annual costs are listed in Exhibit A attached hereto and incorporated herein.

3 **Q. What is AmerenUE seeking if the Missouri Public Service Commission determines**
4 **that MPC/MGC have violated their tariffs?**

5 A. If the Missouri Public Service Commission determines that MPC and/or MGC have over-
6 charged AmerenUE, a non-affiliated customer, in violation of the MPC/MGC filed
7 tariffs, then AmerenUE seeks a refund from MPC and MGC in an amount equal to all
8 such over-charges. AmerenUE will pass on any such refunds to its respective ratepayers
9 through its PGA mechanism. AmerenUE also seeks a determination from the
10 Commission that any rates paid by MPC/MGC affiliates that are lower than rates
11 currently paid by non-affiliated companies become the new maximum tariff rates going
12 forward for all shippers.

13 **Q. Does AmerenUE support a cost of service study for MPC and MGC in this case**
14 **instead of Case No. GC-2006-0378?**

15 A. Yes. Although Case No. GC-2006-0378 identified certain reasons for conducting a cost
16 of service study, the possible intermingling of the affairs of MPC/MGC pipelines with
17 affiliate Omega, as alleged by Staff in this case and in Case No. GC-2006-0378, points to
18 the need for that investigation to be performed as a part of this case. MPC/MGC's
19 alleged violations of their tariffs for the benefit of affiliate Omega are directly related to
20 the cost of service. The alleged self-dealing involving MPC/MGC and the affiliate
21 Omega raises concern that the alleged affiliate transactions may have had adverse effects
22 on fuel reimbursement rates charged to the shippers and on operating pressures on MPC.

1 **Q. What are AmerenUE's concerns about the fuel reimbursement rate on the MPC**
2 **pipeline?**

3 A. As stated in the MPC tariff, shippers shall reimburse the transporter in kind for fuel usage
4 and lost or unaccounted for gas pursuant to the terms and conditions of the Transportation
5 Agreement. Effective October 1, 2004, MPC increased the fuel collected from 0.43% to
6 0.5%, stating that their system was experiencing lost and unaccounted for volumes in
7 excess of the amount being collected and all contracts being renewed were moving to the
8 higher fuel percentage. Effective May 1, 2006, after commencement of Case No. GC-
9 2006-0378, MPC decreased the fuel collected from 0.5% back to 0.43%. The reason was
10 that MPC stated that they discovered a potential cause for higher lost gas. In July 2006,
11 after commencement of this case, MPC proposed to credit AmerenUE the difference
12 collected between 0.43% and 0.5% (for the period of October 2004 through April 2006)
13 since only a few of the shippers experienced the higher fuel reimbursement rates. It is
14 AmerenUE's understanding that the fuel reimbursement rates have not been audited. An
15 audit should be performed to assure that proper fuel reimbursement rates are being
16 charged to the shippers.

17 **Q. What are AmerenUE's concerns about the reliability and financial viability of the**
18 **MPC and MGC pipelines?**

19 A. As discussed previously, pressure support for the growing Wentzville, Missouri area is
20 critical for reliable service to AmerenUE's customers. The self-dealing activities
21 between MPC/MGC and affiliate Omega, as alleged by Staff, could have an adverse
22 effect on pipeline pressures and fuel losses. The issues and allegations raised in this case
23 also give rise to concerns about the viability of MPC to respond to the ongoing and future

1 growth in the Wentzville area and to provide for the reliable operation of their pipeline
2 for the next ten years.

3 **Q. Does this complete your testimony?**

4 A. Yes, it does.

Exhibit A

IS

HIGHLY CONFIDENTIAL

IN ITS ENTIRETY

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Exhibit A

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been sent to all parties of record this 6th day of October, 2006, by electronic mail (e-mail) or U.S. Mail.

/s/ David M. Kurtz