Exhibit No.:

Issues:

MKP/RPC Pipeline

Adjustment

Witness:

Michael J. Wallis MO PSC Staff

Sponsoring Party:

Case No.:

GR-96-450

### MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

FILED

OCT 1 2 2001

**DIRECT TESTIMONY** 

Service Commissio

**OF** 

MICHAEL J. WALLIS

MISSOURI GAS ENERGY

a division of

**Southern Union Company** 

**CASE NO. GR-96-450** 

Reporter\_

Jefferson City, Missouri August 1998

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1	DIRECT TESTIMONY			
2	OF			
3	MICHAEL J. WALLIS			
4	MISSOURI GAS ENERGY,			
5	a division of			
6	SOUTHERN UNION COMPANY			
7	CASE NO. GR-96-450			
8	Q. Please state your name and business address.			
9	A. Michael J. Wallis, P.O. Box 360, Jefferson City, Missouri 65102.			
10	Q. By whom are you employed and in what capacity?			
11	A. I am a Regulatory Auditor with the Missouri Public Service Commission			
12	(Commission).			
13	Q. Please describe your educational and professional background.			
14	A. I graduated from Central Missouri State University at Warrensburg,			
15	Missouri and received a Bachelor of Science degree in Business Administration, with a			
16	major in Accounting, in July, 1986. I am currently a licensed Certified Public Accountant			
17	in the state of Missouri.			
18	Q. What has been the nature of your duties while in the employ of the			
19	Commission?			
20	A. Under the direction of both the Manager of the Accounting Department			
21	(August 1987 to November 1992) and the Manager of the Procurement Analysis			
22	Department (October 1993 to the current time), I have assisted with audits and			
23	examinations of the books and records of utility companies operating within the state of			
l	II.			

Missouri.

Q. Have you previously filed testimony before this Commission?

- A. Yes. Schedule 1, attached to my direct testimony, is a list of cases in which I have filed testimony before this Commission.
  - O. What is the purpose of your direct testimony?
- A. The purpose of my direct testimony is to support the Staff's proposed Mid-Kansas Partnership/Riverside Pipeline Company (MKP/RPC) pipeline adjustment of \$4,532,450 to the total gas costs, in Missouri Gas Energy (MGE or Company) 1996/1997 Actual Cost Adjustment (ACA) filing.
  - Q. Please discuss the Staff's proposed MKP/RPC pipeline adjustment.
- A. During the 1996/1997 ACA period, MGE incurred \$34,940,235 in natural gas costs (fixed and variable transportation charges and gas supply costs) with respect to its gas supply and transportation contracts with MKP/RPC. However, Staff believes that the contractual services which MGE received (during the 1996/1997 ACA period) from MKP/RPC for \$34,940,235 could have been obtained from Williams Natural Gas Company (WNG) for a total price of \$30,407,785.

The Staff's \$4,532,450 MKP/RPC pipeline adjustment is based on (1) MGE's response to Staff Data Request No. 23, wherein Company provided its own estimate of what the MKP/RPC transportation services would have cost had they been provided by WNG (given that the gas supply volumes could have been nominated and transported on

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WNG) and (2) the Staff's review of the Inside FERC Gas Market Report (IFGMR) firstof-the-month WNG index prices for the 1996/1997 ACA period.

- Please explain your calculation of the Staff's proposed \$4,532,450 MKP/RPC pipeline adjustment.
- Staff's proposed \$4,532,450 MKP/RPC pipeline adjustment was calculated by (1) comparing the actual fixed and variable transportation charges paid by MGE to MKP/RPC to MGE's estimated WNG (Company's response to Staff Data Request No. 23) fixed and variable transportation charges, (2) comparing the actual gas supply charges paid by MGE to MKP/RPC to the Staff's estimate of gas supply costs on WNG (which was calculated by multiplying the actual monthly delivered MKP/RPC volumes by 104% (MGE's incentive plan benchmark) of the IFGMR first-of-the-month WNG index prices for the 1996/1997 ACA period], and (3) netting the amounts, derived in 1 and 2 above, to arrive at the Staff's proposed adjustment.
  - Please summarize your direct testimony. Q.
- During the 1996/1997 ACA period, MGE incurred \$34,940,235 in natural A. gas costs (fixed and variable transportation charges and gas supply costs) with respect to its gas supply and transportation contracts with MKP/RPC. Based on (1) MGE's response to Staff Data Request No. 23 and (2) the Staff's review of the IFGMR first-of-the-month WNG index prices for the 1996/1997 ACA period, Staff believes that the contractual services which MGE received, during the 1996/1997 ACA period from MKP/RPC, could have been obtained from WNG for a total price of \$30,407,785. As a result, Staff

proposes an adjustment to reduce MGE's total gas costs, per its 1996/1997 ACA filing, by \$4,532,450.

- Q. Does this conclude your direct testimony?
- A. Yes, it does.

# BEFORE THE PUBLIC SERVICE COMMISSION

#### OF THE STATE OF MISSOURI

In the matter of the Missouri Ga Gas Cost Adjustment Tariff Rev be Reviewed in its 1996-1997 A Reconciliation Adjustment Acco	visions to Annual	) ) ) ) <u>Case No. GR-96-450</u>			
AFFIDAVIT OF MICHAEL J. WALLIS					
STATE OF MISSOURI	)				
COUNTY OF COLE	) ss. )				
Michael J. Wallis, is, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.					
Subscribed and sworn to before me this 31 day of July, 1998.  Subscribed and sworn to before me this 31 day of July, 1998.  Notary Public					
My Commission Expires:	ROBERTA A. McKIDDY Notary Public, State of Missour County of Cole	n e e e e e e e e e e e e e e e e e e e			
	My Commission Expires 09/11/99	9			

## SUMMARY OF RATE CASE INVOLVEMENT

#### MICHAEL J. WALLIS

COMPANY NAME	CASE NO.
St. Joseph Light & Power Company	GR-88-115
Capital City Water Company	WR-88-215
GTE North Incorporated	TR-89-182
The Empire District Electric Company	WR-90-56
The Empire District Electric Company	ER-90-138
Ozark Natural Gas Company	GA-90-321
United Cities Gas Company	GR-91-249
St. Joseph Light & Power Company	EC-92-214
Western Resources Inc.	GR-93-140
Tartan Energy Company, L.C.	GA-94-127
Associated Natural Gas Company	GR-94-189
Associated Natural Gas Company	GR-95-213
Missouri Public Service	GR-95-273
Union Electric Company	EM-96-149
Laclede Gas Company	GR-96-181
Missouri Public Service	GR-96-192
Laclede Gas Company	GR-96-193
Associated Natural Gas Company	GR-96-227
Atmos Energy Corporation and United Cities Gas Company	<b>GM-97-7</b> 0
Associated Natural Gas Company	GR-97-272
Missouri Gas Energy	GO-97-409
United Cities Gas Company	GO-97-410
Missouri Gas Energy	GC-98-335